

Property and Casualty

Market Analysis

September 2005

North Dakota Insurance Department

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North Dakota Insurance Department  
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## **Market Analysis Overview**

The market analysis is performed annually as a task by the Property and Casualty Division, as part of the division's goals. The intent is to build a data base of information to be used to more accurately project changes in the marketplace.

The purpose of the market analysis report is twofold:

- To monitor and evaluate market trends and affordability.
- To evaluate the competitiveness of critical markets (availability).

## **Critical Markets**

The following factors were considered in determining what markets to analyze for this study:

- The principal focus of concern at the time of the market analysis plan development was with regard to property insurance because of the history of excessive losses experienced by the industry over the past several years.
- A second factor was those lines of insurance that traditionally have become a significant cause for consumer concern but which may or may not include property coverage.
- A third factor in selecting which lines of insurance was consideration for the relative availability of data.

Based upon these factors the following lines of insurance were determined to be the markets to be examined as part of this analysis:

- Auto – private passenger
- Auto – commercial
- Commercial multi peril package
- Farmowners
- Homeowners
- Medical Malpractice
- Other Liability (professional liability, D&O, E&O, excess & umbrella)
- Crop Hail

### **Market Analysis Components**

For purposes of this study the following evaluations were performed for each line of insurance (subject to data availability):

Exhibit I -Market Concentration (Herfindahl index )

Exhibit II-A - Market Share Analysis –Market Share Changes

Exhibit II-B – Market Share Analysis –Company Changes

Exhibit II-C – Market Share Analysis – Surplus (non-licensed)

Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

Exhibit V – Change in Premium Writings

Exhibit VI – Field Market Survey Results-October 2004

Exhibit VII – Residual Market Population

Exhibit VIII – Matrix of Indicators

### **Description of Market Analysis Components**

A description of each of the market analysis components used in the analysis are listed here:

Exhibit I -Market Concentration (Herfindahl index ) -The purpose of this index is to evaluate the concentration of the market and its change over time. Highly concentrated markets are considered to be less competitive while non-concentrated markets are considered to be more competitive. The exhibit illustrates the concentration ratio of the top 4 companies and the top 20 companies. The concentration ratio is the combined market share of the companies. The final Herfindahl index, however, is based upon the market share analysis of all companies not just the top 4 or 20 companies. The most recent data available for this analysis includes the year 2004.

The Herfindahl indices for both the North Dakota and Countrywide markets are displayed. The results can be compared to two industry standards. The US Dept of Justice standard was used to categorize the results.

**Exhibit II-A - Market Share Analysis –Market Share Changes** – The purpose of this exhibit is to provide a supplemental historical picture of the market share changes of the top 20 insurance companies doing business in each year for the most recent 6 years.

**Exhibit II-B – Market Share Analysis –Company Changes** - The purpose of this exhibit is to illustrate of the number of companies entering, leaving or moving within the top 20 companies over a 12 to16 year span.

**Exhibit II-C-Market Share – Surplus (non-licensed)** – This exhibit summarizes the volume of business written by surplus lines insurers for this market, including Risk Retention Groups, over a six year period.

**Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)** – The purpose of this exhibit is to show the aggregate loss ratio over a span of 11-17 years and to compare it to the corresponding regional and the countrywide loss ratios.

**Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Index** – The purpose of this exhibit is to compare the statewide 3 year loss ratio (indexed to the base year of 1992) to both the composite rate index (representing the actual change in rates for the top 10 companies) and the Claims Cost Index. [In addition for the private passenger auto analysis a chart of the average premium and countrywide rankings was included.]

**Exhibit V – Change in Premium Writings** - The purpose of this exhibit is to illustrate the change in writings from year to year based upon the change in premiums. The percentage change is then compared to the Composite Rate Index and the Consumer Price Index.

**Exhibit VI – Field Market Survey Results-October 2004** – This exhibit summarizes the results of a survey of Property and Casualty agents, staff, company representatives, and company underwriters in attendance at the agent forums in October of 2003. The survey solicited comments on the availability and affordability of each line of insurance.

**Exhibit VII – Residual Market Population** - The purpose of this exhibit is to describe the current status and population of the residual market mechanism for this line of insurance.

Exhibit VIII – Matrix of Indicators – The purpose of this exhibit is to summarize the indication of each market analysis component. The matrix places each indicator into a Low, Moderate, or High category. Low means the indicator suggests the competition level is low. Moderate means the indicator suggests the competition level is moderate, and High means the indicator suggests the competition level is high. A final assessment based upon a weighting of all indicators is shown.

### **Narrative Summary**

Each line of insurance analyzed for this report will be treated separately. A narrative summary of each of the applicable market analysis components will be presented along with a final statement assessing the overall trend and competitiveness of that line. The narrative summaries are found in addendum's 1 through 8.

### **General Summary**

The conclusions regarding overall trend and competitiveness for each of the eight markets are briefly summarized below. For more detail regarding how the conclusion was reached please refer to the appropriate addendum narrative summary.

Auto – private passenger - A highly competitive market. A slight trend toward higher rates and fewer competitors overall.

Auto – commercial - A highly competitive market.

Commercial multi peril package - Generally a highly competitive market. However for certain niche classes the competitive level may be low.

Farmowners - The competitive level of the market is low. A trend toward higher rates.

Homeowners - A moderately competitive market. A trend toward higher rates and less coverage.

Medical Malpractice - The competitive level of the market is low.

Other Liability (professional liability, D&O, E&O, excess & umbrella) - A moderately competitive market. For certain niche classes of business the market may be non-competitive.

Crop Hail - A low competitive market

### **Technical Notes**

Addendum 10 Technical Notes provide specific information regarding data sources and other matters with potential impacts to the final conclusion.

**Addendum 1****Narrative Summary – Auto – Private Passenger**

The market analysis components found in the attached exhibits for auto-private passenger are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

The concentration ratios and Herfindahl indices for North Dakota are well below the national benchmarks, indicating a highly competitive market. We note however that the 20 firm concentration ratio continues to grow, and is the highest it has been in the past 19 years.

The index for North Dakota compared to countrywide, indicates the North Dakota market is more concentrated than the countywide market. This is to be expected based upon the fact North Dakota is a relatively small market that is more easily dominated by a few larger companies.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

The ranking of the top 4 writers has been relatively consistent with little change in position. The total market share of the top 20 companies combined has increased gradually over the past six years. Both of these observations suggest a trend towards less competition.

**Exhibit II-B – Market Share Analysis –Company Changes**

The number of companies entering and leaving the top 20 is low, which suggests a lesser degree of competition. However there is considerable movement among all companies within the top 20, implying greater competition. Highly competitive markets are associated with a high degree of movement and a low concentration of market share.

This conflicting information does not give a clear indication of the competitive level of the market.

**Exhibit II-C – Market Share Analysis – Surplus (non-licensed)**

The exhibit shows the premium volume written by surplus lines (non-licensed) carriers by year. The amount recorded is insignificant. There has been no premium written by surplus lines carriers for this market in the past three years, suggesting that the market is highly competitive.

### Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

Since peaking in 2001, the statewide loss ratio has dropped back down to profitable levels the past three years. This information by itself is not an indicator of the competitive level of the market.

### Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

The graphs show that rates have kept pace with the claim cost index (which is based upon national trends), even while loss ratios are tapering off. This may be an indication of the market becoming less competitive. However, given that ratemaking tends to be based on a 3-5 year experience period, this may simply reflect a normal lag.

The chart showing state average premium indicates North Dakota has consistently ranked among the lowest of all states in overall average premium. In recent years the overall ranking has increased based on increases in comprehensive premium. Note that this chart summarizes average premiums only through the year 2003, which was the most current year available.

### Exhibit V – Change in Premium Writings

The statewide premium volume has increased 93% since 1992. Rate change information would explain 45.9% of this increase, the remainder being due to a variety of factors, including increases in the cost of, type and number of vehicles, changes in coverage levels, demographic changes, etc.

Comparing the North Dakota composite rate index to the Consumer Price Index (for Motor Vehicle Insurance) can give some insight as to how North Dakota auto insurance costs compare to those costs nationally. Some of the difference between the two indexes would again be demographic differences, etc. But this comparison suggests that North Dakota rates changes are not out of line with the national index.

This information is by itself not an indicator of the competitive level of the market.

### Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004. Responses in 2004 were fairly consistent with the previous survey results. The results suggest the market continues to be more restrictive in that there are fewer companies writing business, at generally higher rates, with tighter underwriting standards.

This information indicates that the trend in the market is towards less competition.

### Exhibit VII – Residual Market Population

The North Dakota Auto Plan is managed by Automobile Insurance Placement Services Organization (AIPSO). The annual number of insureds in the plan has been very low when compared to the total eligible registered vehicles in this state, especially in the more recent years. This low residual market population is indicative of a competitive market.

### Exhibit VIII – Matrix of Indicators

The Herfindahl index, market share analysis of surplus business and the residual market population reflect a highly competitive market. The market share analysis of changes in market share, market share analysis-company changes and loss ratio to rate change comparison indicate a moderately competitive market. The field survey tends to indicate that the market is becoming less competitive.

### Final assessment

The evaluation of the market through the year 2004 indicates a highly competitive market. The information obtained through the October 2004 survey indicates a tightening of the market. In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index and residual market population data, as these are statistically sound indicators.

While there is a trend toward higher rates and fewer competitors overall, the general condition of the market is felt to be highly competitive.

# PRIVATE PASSENGER AUTO

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index
1986	46.0%	75.1%	629	39.3%	63.2%	573
1987	47.0%	74.7%	653	39.2%	63.7%	578
1988	47.3%	75.4%	664	40.3%	64.4%	613
1989	47.8%	75.7%	675	40.8%	65.3%	637
1990	48.3%	76.3%	686	42.8%	66.0%	694
1991	<b>48.6%</b>	<b>76.6%</b>	<b>683</b>	<b>38.7%</b>	<b>58.8%</b>	<b>662</b>
1992	48.8%	77.4%	692	39.4%	58.0%	704
1993	<b>49.4%</b>	<b>77.8%</b>	<b>710</b>	<b>38.7%</b>	<b>56.5%</b>	<b>668</b>
1994	50.0%	78.0%	725	35.0%	53.8%	560
1995	49.3%	77.6%	714	34.2%	52.2%	521
1996	48.8%	76.5%	702	34.3%	51.9%	514
1997	<b>47.9%</b>	<b>76.6%</b>	<b>680</b>	<b>33.2%</b>	<b>51.0%</b>	<b>479</b>
1998	46.9%	76.4%	654	32.6%	50.7%	455
1999	45.3%	76.4%	618	30.9%	49.4%	416
2000	44.5%	78.0%	604	29.5%	48.6%	382
2001	44.5%	<b>78.6%</b>	<b>611</b>	<b>29.4%</b>	<b>48.8%</b>	<b>399</b>
2002	45.3%	80.6%	643	28.7%	48.7%	399
2003	44.0%	83.0%	641	27.8%	48.3%	387
2004	<b>44.6%</b>	84.2%	<b>668</b> (827.47)	<b>27.0%</b>	<b>48.4%</b>	<b>366</b> (634.07)

### Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index <2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
Post-merger market Herfindahl index

- > 1,800 - highly concentrated
- 1,000 < Herfindahl index < 1,800 - moderately concentrated
- < 1,000 - unconcentrated

A change in data availability resulted in the department's computing the Herfindahl Indices in parenthesis using marketshares at the group level (i.e. marketshares of sister companies are combined).

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**EXHIBIT IIA: NORTH DAKOTA MARKET SHARE REPORT**

Year: 2004						Year: 2003						Year: 2002					
Company			Market Share			Direct WP (\$ in 000s)			Market Share			Company			Market Share		
					Cumulative						Cumulative					Cumulative	
State Farm Mut Auto Ins Co	\$ 44,207	14.0%	\$ 41,060	13.8%	14.0%	State Farm Mut Auto Ins Co	\$ 41,060	13.8%	\$ 38,538	13.4%	13.4%	Nodal Mut Ins Co	\$ 35,740	12.5%	\$ 35,740	12.5%	12.5%
American Family Mut Ins Co	\$ 36,495	11.5%	\$ 34,367	11.1%	25.5%	American Family Mut Ins Co	\$ 34,367	11.4%	\$ 35,433	11.0%	25.9%	Nodal Mut Ins Co	\$ 31,721	10.5%	\$ 35,548	11.0%	25.9%
Nodal Mut Ins Co	\$ 32,830	10.4%	\$ 25,482	9.0%	35.9%	National Farmers Union Prop & Cas	\$ 25,482	8.4%	\$ 23,814	8.3%	35.5%	National Farmers Union Prop & Cas	\$ 23,166	7.7%	\$ 17,770	6.2%	35.3%
National Farmers Union Prop & Cas	\$ 27,293	8.6%	\$ 25,482	7.1%	44.6%	Progressive Northwestern Ins Co	\$ 25,482	8.4%	\$ 25,482	7.7%	51.1%	Progressive Northwestern Ins Co	\$ 23,166	7.7%	\$ 17,770	6.2%	51.5%
Progressive Northwestern Ins Co	\$ 26,830	8.5%	\$ 25,482	6.9%	53.1%	Center Mut Ins Co	\$ 12,704	4.2%	\$ 12,704	5.9%	55.1%	Farmers Ins Exch	\$ 12,704	4.2%	\$ 12,708	3.6%	55.1%
Center Mut Ins Co	\$ 15,005	4.7%	\$ 9,683	2.9%	57.8%	Farmers Ins Exch	\$ 9,683	3.3%	\$ 9,683	5.9%	58.5%	Center Mut Ins Co	\$ 9,326	3.4%	\$ 9,326	3.4%	58.5%
Farmers Ins Exch	\$ 9,197	2.9%	\$ 8,332	2.8%	60.7%	Owners Ins Co	\$ 8,332	2.8%	\$ 8,332	6.1%	61.6%	Grimmell Mut Reins Co	\$ 8,643	3.1%	\$ 8,643	3.1%	61.6%
Owners Ins Co	\$ 7,988	2.5%	\$ 6,000	2.5%	63.5%	Grimmell Mut Reins Co	\$ 6,000	2.8%	\$ 6,000	6.7%	64.2%	Dakota Fire Ins Co	\$ 7,538	2.6%	\$ 7,538	2.6%	64.2%
State Farm Fire And Cas Co	\$ 6,777	2.1%	\$ 6,238	2.0%	68.2%	Dakota Fire Ins Co	\$ 6,238	2.3%	\$ 6,238	6.7%	66.6%	Allstate Ins Co	\$ 6,912	2.4%	\$ 6,912	2.4%	66.6%
Milbank Ins Co	\$ 6,445	2.0%	\$ 6,426	2.0%	70.2%	Milbank Ins Co	\$ 6,736	2.2%	\$ 6,736	6.9%	68.8%	Owners Ins Co	\$ 6,289	2.2%	\$ 6,289	2.2%	68.8%
Dakota Fire Ins Co	\$ 6,426	2.0%	\$ 6,332	2.0%	72.3%	Allstate Ins Co	\$ 6,709	2.2%	\$ 6,709	7.1%	70.7%	Milbank Ins Co	\$ 4,411	1.9%	\$ 4,411	1.9%	70.7%
Allstate Ins Co	\$ 6,332	2.0%	\$ 5,807	1.8%	74.3%	State Farm Fire And Cas Co	\$ 5,841	1.9%	\$ 5,841	7.3%	72.5%	State Farm Fire And Cas Co	\$ 4,939	1.7%	\$ 4,939	1.7%	72.5%
American Std Ins Co Of WI	\$ 5,259	1.7%	\$ 5,215	1.7%	76.0%	American Std Ins Co Of WI	\$ 5,471	1.8%	\$ 5,471	7.5%	74.1%	American Std Ins Co Of WI	\$ 4,612	1.6%	\$ 4,612	1.6%	74.1%
United Services Auto Assoc	\$ 4,642	1.5%	\$ 4,298	1.5%	77.7%	United Services Auto Assoc	\$ 4,298	1.4%	\$ 4,298	7.6%	76.6%	Safeco Ins Co Amer	\$ 4,429	1.6%	\$ 4,429	1.6%	76.6%
North Star Mut Ins Co	\$ 4,439	1.4%	\$ 3,937	1.3%	80.6%	Safeco Natl Ins Co	\$ 3,937	1.3%	\$ 3,937	7.9%	76.7%	Auto-Owners Ins Co	\$ 2,999	1.1%	\$ 2,999	1.1%	76.7%
Safeco Natl Ins Co	\$ 4,003	1.3%	\$ 3,895	1.3%	81.8%	Progressive Halcyon Ins Co	\$ 3,895	1.3%	\$ 3,895	8.0%	77.7%	Emcasco Ins Co	\$ 2,920	1.0%	\$ 2,920	1.0%	77.7%
Auto-Owners Ins Co	\$ 3,787	1.2%	\$ 3,459	1.2%	83.0%	Dairyland Ins Co	\$ 3,459	1.1%	\$ 3,459	82.1%	78.8%	Mid-Century Ins Co	\$ 2,751	1.0%	\$ 2,751	1.0%	78.8%
Dairyland Ins Co	\$ 3,541	1.1%	\$ 2,903	1.1%	84.2%	Mid-Century Ins Co	\$ 2,903	1.0%	\$ 2,903	83.0%	80.6%	Amoco Ins Co	\$ 2,514	0.9%	\$ 2,514	0.9%	80.6%
Year: 2001						Year: 2000						Year: 1999					
Company			Market Share			Direct WP (\$ in 000s)			Market Share			Company			Market Share		
					Cumulative						Cumulative					Cumulative	
State Farm Mut Auto Ins Co	\$ 35,470	13.8%	\$ 32,962	13.6%	13.8%	State Farm Mut Auto Ins Co	\$ 32,962	13.6%	\$ 35,317	14.7%	14.7%	American Family Mut Ins Co	\$ 28,255	11.7%	\$ 28,255	11.7%	14.7%
Nodal Mut Ins Co	\$ 28,583	11.1%	\$ 25,877	11.0%	25.5%	Nodal Mut Ins Co	\$ 25,877	10.7%	\$ 25,333	10.6%	26.5%	Nodal Mut Ins Co	\$ 25,877	10.7%	\$ 25,333	10.6%	26.5%
American Family Mut Ins Co	\$ 28,315	11.0%	\$ 20,268	8.6%	35.9%	National Farmers Union Prop & Cas	\$ 20,268	8.4%	\$ 15,573	8.1%	37.1%	National Farmers Union Prop & Cas	\$ 19,197	4.2%	\$ 19,197	4.2%	37.1%
National Farmers Union Prop & Cas	\$ 22,032	8.6%	\$ 19,766	5.0%	44.5%	Farmers Ins Exch	\$ 19,766	4.2%	\$ 10,087	4.2%	45.3%	Farmers Ins Exch	\$ 19,766	4.2%	\$ 10,087	4.2%	45.3%
Progressive Northwestern Ins Co	\$ 12,929	5.0%	\$ 12,704	4.9%	49.5%	Dakota Fire Ins Co	\$ 12,704	4.2%	\$ 6,831	2.8%	49.5%	Dakota Fire Ins Co	\$ 7,776	3.2%	\$ 7,776	3.2%	52.3%
Farmers Ins Exch	\$ 10,069	3.9%	\$ 6,516	3.1%	53.4%	Allstate Ins Co	\$ 6,516	2.7%	\$ 6,409	2.7%	55.0%	Allstate Ins Co	\$ 6,354	2.6%	\$ 6,354	2.6%	55.0%
Grimmell Mut Reins Co	\$ 8,002	3.1%	\$ 6,387	2.9%	56.5%	Grinnell Mut Reins Co	\$ 6,387	2.6%	\$ 6,119	2.5%	56.7%	Grinnell Mut Reins Co	\$ 6,308	2.6%	\$ 6,119	2.5%	56.7%
Dakota Fire Ins Co	\$ 7,463	2.9%	\$ 6,000	2.7%	59.4%	Center Mut Ins Co	\$ 6,000	2.6%	\$ 5,726	2.5%	56.2%	Center Mut Ins Co	\$ 5,726	2.5%	\$ 5,726	2.5%	56.2%
Center Mut Ins Co	\$ 7,047	2.9%	\$ 5,841	2.5%	62.3%	Safeco Ins Co Of Amer	\$ 5,841	2.6%	\$ 5,755	2.4%	56.6%	Safeco Ins Co Of Amer	\$ 5,182	2.1%	\$ 5,182	2.1%	56.6%
Allstate Ins Co	\$ 6,487	2.5%	\$ 5,182	2.5%	64.8%	Milbank Ins Co	\$ 5,182	2.1%	\$ 4,046	1.7%	56.0%	Milbank Ins Co	\$ 5,059	2.1%	\$ 4,046	1.7%	56.0%
Owners Ins Co	\$ 4,655	1.8%	\$ 4,145	1.8%	66.6%	Owners Ins Co	\$ 4,145	1.7%	\$ 3,543	1.5%	66.6%	Owners Ins Co	\$ 3,523	1.5%	\$ 3,543	1.5%	66.6%
Milbank Ins Co	\$ 4,513	1.8%	\$ 3,759	1.6%	68.4%	American Std Ins Co Of WI	\$ 3,759	1.5%	\$ 3,376	1.4%	69.5%	American Std Ins Co Of WI	\$ 3,699	1.5%	\$ 3,376	1.4%	69.5%
Safeco Ins Co Of Amer	\$ 4,215	1.6%	\$ 3,699	1.4%	70.0%	United Services Auto Assoc	\$ 3,699	1.4%	\$ 3,266	1.4%	70.9%	United Services Auto Assoc	\$ 3,325	1.4%	\$ 3,266	1.4%	70.9%
United Services Auto Assoc	\$ 3,759	1.5%	\$ 3,685	1.4%	71.5%	Emcasco Ins Co	\$ 3,685	1.4%	\$ 3,025	1.3%	72.1%	Emcasco Ins Co	\$ 2,858	1.2%	\$ 2,858	1.2%	72.1%
American Std Ins Co Of WI	\$ 3,699	1.4%	\$ 3,685	1.4%	72.9%	American Std Ins Co Of WI	\$ 3,685	1.4%	\$ 2,823	1.2%	73.3%	American Std Ins Co Of WI	\$ 2,640	1.1%	\$ 2,823	1.2%	73.3%
State Farm Fire And Cas Co	\$ 3,685	1.4%	\$ 3,685	1.4%	74.4%	Emcasco Ins Co	\$ 3,685	1.4%	\$ 2,566	1.1%	74.4%	Emcasco Ins Co	\$ 2,480	1.0%	\$ 2,566	1.1%	74.4%
Emcasco Ins Co	\$ 2,899	1.1%	\$ 2,899	1.1%	75.5%	Mid-Century Ins Co	\$ 2,899	1.2%	\$ 2,475	1.0%	75.4%	Mid-Century Ins Co	\$ 2,660	1.0%	\$ 2,475	1.0%	75.4%
North Star General Ins Co	\$ 2,836	1.1%	\$ 2,660	1.0%	76.6%	Mid-Century Ins Co	\$ 2,660	1.1%	\$ 2,322	1.0%	76.4%	Mid-Century Ins Co	\$ 2,451	1.0%	\$ 2,322	1.0%	76.4%
Mid-Century Ins Co	\$ 2,660	1.0%	\$ 2,451	1.0%	77.6%	Allied Prop & Cas Ins Co	\$ 2,451	1.0%	\$ 2,451	1.0%	78.0%	Allied Prop & Cas Ins Co	\$ 2,451	1.0%	\$ 2,451	1.0%	78.0%

# PRIVATE PASSENGER AUTO

## EXHIBIT IIB: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

Year into Top 20 Carriers	# of New Entries/Exits	Changes within Top 20 Carriers
1987	2	12
1988	4	9
1989	2	7
1990	2	8
1991	2	8
1992	2	12
1993	1	10
1994	3	7
1995	3	5
1996	2	10
1997	2	6
1998	2	12
1999	0	12
2000	3	10
2001	2	14
2002	2	8
2003	2	12
2004	1	5

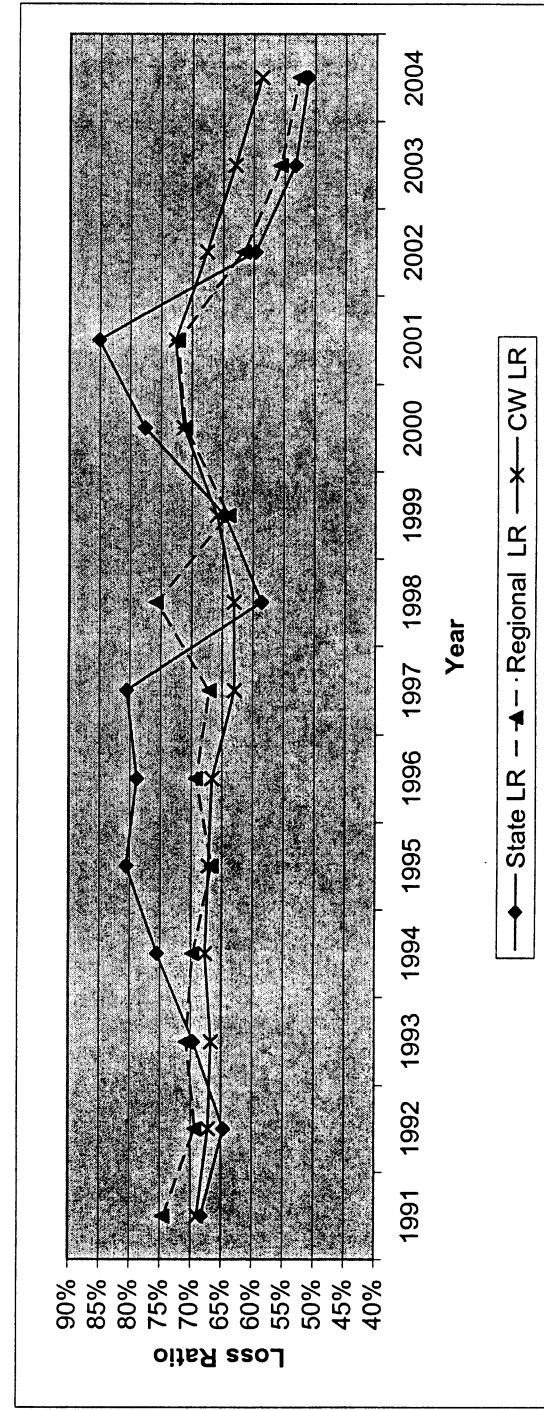
**EXHIBIT IIC: NORTH DAKOTA PRIVATE PASSENGER AUTO MARKET SHARE- SURPLUS (non-licensed)**

<b>YEAR:</b>	<b>2002</b>	<b>2003</b>	<b>1999</b>	<b>1997</b>	<b>1996</b>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
	<u>Direct</u>	<u>Written</u>	<u>Direct</u>	<u>Written</u>	<u>Direct</u>
	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
<b>2004</b>					
	<u>Direct</u>	<u>Written</u>	<u>Direct</u>	<u>Written</u>	<u>Direct</u>
	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
<b>YEAR:</b>					
<b>2001</b>					
	<u>Direct</u>	<u>Written</u>	<u>Direct</u>	<u>Written</u>	<u>Direct</u>
	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
<b>General Agents Ins Co Of Amer Inc</b>	\$ 0.87		\$ 2.18		\$ 4.18
<b>Commercial Underwriters Ins Co</b>					
<b>YEAR:</b>					
<b>2000</b>					
	<u>Direct</u>	<u>Written</u>	<u>Direct</u>	<u>Written</u>	<u>Direct</u>
	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
<b>Commercial Underwriters Ins Co</b>	\$ 0.87		\$ 2.18		\$ 5.26
<b>YEAR:</b>					
<b>1998</b>					
	<u>Direct</u>	<u>Written</u>	<u>Direct</u>	<u>Written</u>	<u>Direct</u>
	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
<b>General Agents Ins Co Of Amer Inc</b>	\$ 0.87		\$ 2.18		\$ 5.26
<b>Commercial Underwriters Ins Co</b>					
<b>YEAR:</b>					
<b>1997</b>					
	<u>Direct</u>	<u>Written</u>	<u>Direct</u>	<u>Written</u>	<u>Direct</u>
	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
<b>General Agents Ins Co Of Amer Inc</b>	\$ 0.87		\$ 2.18		\$ 5.26
<b>Commercial Underwriters Ins Co</b>					
<b>YEAR:</b>					
<b>1996</b>					
	<u>Direct</u>	<u>Written</u>	<u>Direct</u>	<u>Written</u>	<u>Direct</u>
	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>	<u>(000s)</u>	<u>Premium</u>
	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
<b>General Agents Ins Co Of Amer Inc</b>	\$ 0.87		\$ 2.18		\$ 5.26
<b>Commercial Underwriters Ins Co</b>					

## PRIVATE PASSENGER AUTO

### EXHIBIT III: HISTORICAL LOSS RATIOS

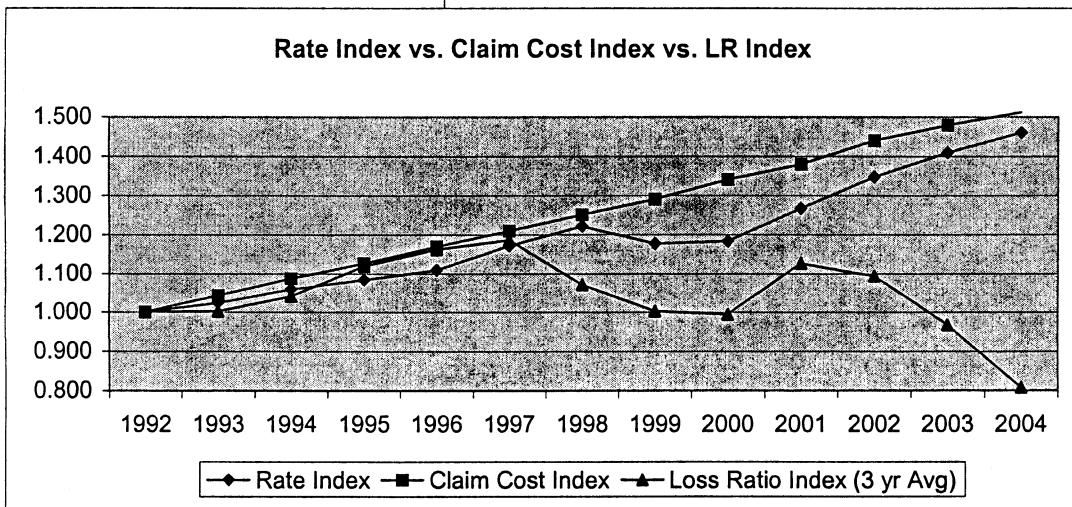
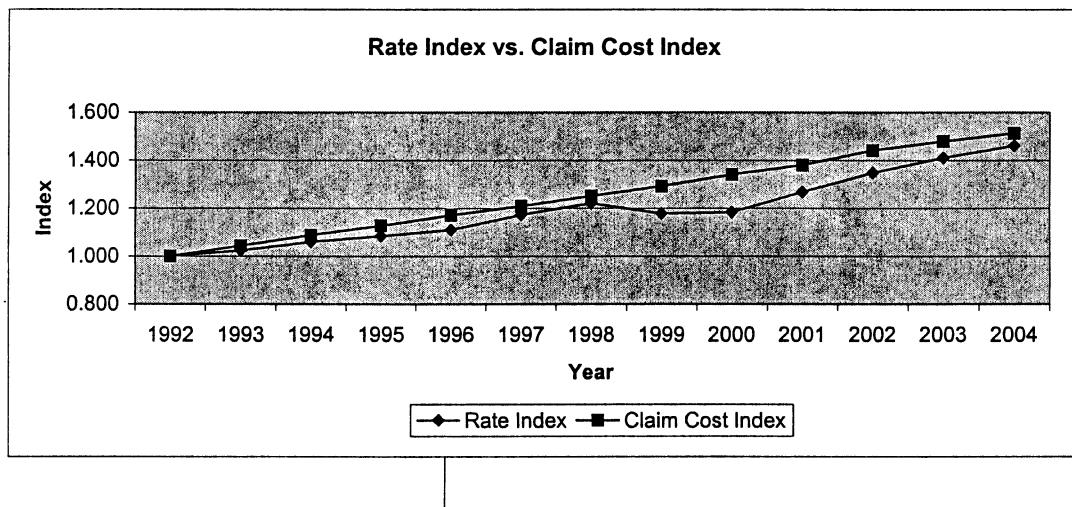
Year	Statewide Loss Ratio	Regional Loss Ratio	Countrywide Loss Ratio
1991	68%	74%	69%
1992	65%	69%	67%
1993	70%	71%	67%
1994	75%	70%	68%
1995	81%	67%	67%
1996	79%	69%	67%
1997	80%	67%	63%
1998	59%	76%	63%
1999	65%	64%	66%
2000	78%	71%	71%
2001	85%	72%	73%
2002	60%	62%	68%
2003	53%	56%	63%
2004	51%	53%	59%



# PRIVATE PASSENGER AUTO

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

Year	Composite Rate Index	Relevant Claim Cost Index	Statewide 3 Yr LR Indexed to 1992
1992	1.000	1.000	1.000
1993	1.023	1.043	1.001
1994	1.058	1.087	1.040
1995	1.083	1.126	1.119
1996	1.109	1.170	1.162
1997	1.171	1.209	1.186
1998	1.221	1.250	1.071
1999	1.177	1.290	1.002
2000	1.182	1.340	0.995
2001	1.266	1.379	1.126
2002	1.347	1.439	1.093
2003	1.409	1.479	0.967
2004	1.459	1.511	0.808



# PRIVATE PASSENGER AUTO

## EXHIBIT IV PAGE 2

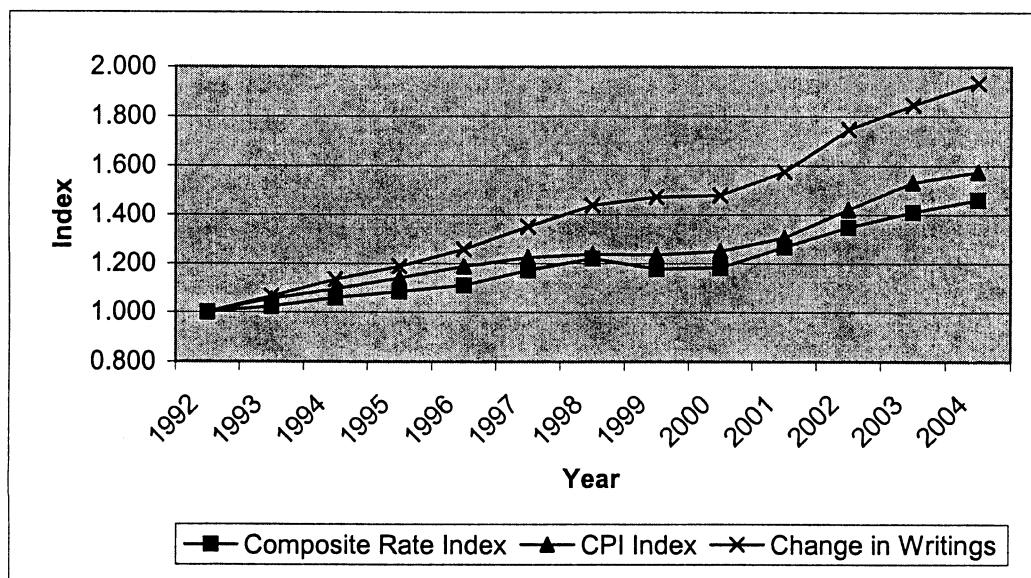
### NORTH DAKOTA AVERAGE PREMIUMS AND COUNTRYWIDE RANKINGS

Year	Average Liability Premium	Rank	Average Collision Premium	Rank	Average Comprehensive Premium	Rank	Average Combined Premium	Rank
1990	\$ 160.41	49	\$ 124.08	50	\$ 99.08	22	\$ 383.57	49
1991	\$ 176.59	49	\$ 128.71	51	\$ 108.33	18	\$ 413.63	50
1992	\$ 170.87	51	\$ 136.71	51	\$ 116.70	17	\$ 424.28	51
1993	\$ 188.00	51	\$ 139.54	51	\$ 120.70	18	\$ 448.24	51
1994	\$ 198.40	51	\$ 142.79	51	\$ 125.97	17	\$ 467.16	51
1995	\$ 204.49	51	\$ 144.80	51	\$ 131.69	17	\$ 480.98	51
1996	\$ 214.13	51	\$ 151.33	51	\$ 139.84	13	\$ 505.30	51
1997	\$ 228.36	51	\$ 164.38	49	\$ 151.78	13	\$ 544.52	50
1998	\$ 230.74	51	\$ 176.86	49	\$ 164.54	9	\$ 572.14	49
1999	\$ 234.89	51	\$ 185.02	49	\$ 176.03	8	\$ 595.94	49
2000	\$ 231.54	51	\$ 186.75	49	\$ 183.02	8	\$ 601.31	49
2001	\$ 234.47	51	\$ 195.59	49	\$ 203.72	2	\$ 633.78	47
2002	\$ 230.87	51	\$ 197.48	49	\$ 225.82	2	\$ 654.17	50
2003	\$ 245.31	51	\$ 205.45	49	\$ 244.05	2	\$ 694.81	49

# PRIVATE PASSENGER AUTO

## EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide			Composite Rate Index	Consumer Price Index
	Written Premium (000s)	Change in Writings	Indexed to 1992		
1986	\$ 116,008				
1987	\$ 125,030	7.8%			
1988	\$ 130,983	4.8%			
1989	\$ 136,950	4.6%			
1990	\$ 143,005	4.4%			
1991	\$ 152,623	6.7%			
1992	\$ 163,517	7.1%	1.00	1.000	1.000
1993	\$ 174,186	6.5%	1.07	1.023	1.055
1994	\$ 185,284	6.4%	1.13	1.058	1.094
1995	\$ 194,137	4.8%	1.19	1.083	1.140
1996	\$ 205,615	5.9%	1.26	1.109	1.187
1997	\$ 220,618	7.3%	1.35	1.171	1.224
1998	\$ 234,935	6.5%	1.44	1.221	1.237
1999	\$ 240,541	2.4%	1.47	1.177	1.235
2000	\$ 241,487	0.4%	1.48	1.182	1.249
2001	\$ 257,251	6.5%	1.57	1.266	1.305
2002	\$ 285,560	11.0%	1.75	1.347	1.419
2003	\$ 301,700	5.7%	1.85	1.409	1.530
2004	\$ 315,990	4.7%	1.93	1.459	1.573



# PRIVATE PASSENGER AUTO

## EXHIBIT VI: FIELD MARKET SURVEY

	<u>Fewer</u>	18.7%	<u>Same</u>	61.2%	<u>More</u>	20.1%	<u>Total Responses</u>
Available Markets	<u>26</u>		<u>85</u>		<u>28</u>		<u>139</u>
Rate Changes	<u>Increased</u> 102	72.9%	<u>Same</u> 31	22.1%	<u>Decreased</u> 7	5.0%	<u>Total Responses</u> 140
UW Changes	<u>More Strict</u> 69	50.0%	<u>Same</u> 45	32.6%	<u>Less Strict</u> 24	17.4%	<u>Total Responses</u> 138
Finding Coverage	<u>Always</u> 39	28.5%	<u>Occasionally Not</u> 94	68.6%	<u>Frequently Unable</u> 4	2.9%	<u>Total Responses</u> 137

## PRIVATE PASSENGER AUTO

### EXHIBIT VII – RESIDUAL MARKET POPULATION

Private Passenger Auto	Commercial Auto	Registered vehicles
1991 - 49	39	648,000
1992 - 52	39	674,000
1993 - 54	31	680,000
1994 - 62	33	688,000
1995 - 38	19	696,000
1996 - 29	12	696,000
1997 - 16	10	696,000
1998 - 11	7	688,000
1999 - 14	9	720,000
2000 - 10	11	715,000
2001 - 6	14	791,000
2002 - 2	21	809,000
2003 - 7	22	820,000
2004 - 0	7	837,000

## PRIVATE PASSENGER AUTO

### EXHIBIT VIII - MATRIX OF INDICATORS

Factor	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )			XX
Market Share Analysis –Market Share Changes		XX	
Market Share Analysis –Company Changes		XX	
Market Share Analysis – Surplus (non-licensed)			XX
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes		XX	
Change in Premium Writings	NA	NA	NA
Field Market Survey Results-October 2004	XX		
Residual Market Population			XX
Final ranking based upon all factors: High			

**Addendum 2****Narrative Summary – Auto – Commercial**

The market analysis components found in the attached exhibits for auto-commercial are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

The historical concentration ratios and Herfindahl indices for North Dakota are well below the national benchmarks, indicating a highly competitive market. The four-firm concentration ratio is the lowest it's been in the past 14 years.

The index for North Dakota compared to countrywide, indicates the North Dakota market is more concentrated than the countywide market. This is to be expected based upon the fact North Dakota is a relatively small market that is more easily dominated by a few larger companies.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

There has been relatively little movement among the top five writers in North Dakota for the past six years. On the other hand, the market share of the top 4 writers in 2004 is the lowest it has been during that period. The market share of the top twenty writers has varied right around 60%.

The fact that the share of the market held by the top 4 writers is only 26% and the share held by the top 20 companies is no more than 61% is by general industry standards indicative of a highly competitive market.

**Exhibit II-B – Market Share Analysis –Company Changes**

2003 and 2004 notwithstanding, the number of companies entering and leaving the top 20 is fairly significant. There is also movement among all companies within the top 20 with the exception of the top few writers noted in Exhibit II-A.

Highly competitive markets are associated with a high degree of movement and a low concentration of market share.

This information is consistent with the observations made in Exhibit II-A and indicative of a highly competitive market.

Exhibit II-C – Market Share Analysis – Surplus (non-licensed)

The premium volume written by surplus lines carriers in 2003 and 2004 was more than double that of the previous year. However this accounts for approximately 1% of the total premium for this line in North Dakota.

This information is consistent with a competitive market.

Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

Loss ratios appear to have spiked in 2000, and have since then tapered off. The trend is consistent in the regional and countrywide experience.

This information by itself is not an indicator of the competitive level of the market.

Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

Rate changes appear to have not kept pace with trends measured by the national claim cost index. However rates have not reacted significantly to the downward trend in loss ratio experience either. This information does not suggest that the market is competitive nor non-competitive.

Exhibit V - Change in Premium Writings

The statewide premium volume has doubled since 1992. The composite rate index for the same period shows that filed rate changes amounted to a 22.8% increase. However, we note there are other rating tools, such as schedule and experience rating which could cause premiums to rise without a corresponding filed rate increase, and therefore not be reflected in the rate index. Other factors accounting for the difference could include increases in the cost of, type and number of vehicles, changes in coverage levels, demographic changes, etc.

Comparing the North Dakota composite rate index to the Consumer Price Index (for Motor Vehicle Insurance) can give some insight as to how North Dakota auto insurance costs compare to those costs nationally. Some of the difference between the two indexes would again be schedule and experience rating credits and debits, demographic differences, etc. These differences notwithstanding, it appears that North Dakota rates have increased at a much slower rate than they have on a national level.

This information is by itself not an indicator of the competitive level of the market.

#### Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004.

Some notable factors from the survey: 24% of those responding indicate there are fewer markets (companies) available to them, 67% say that rates have risen, 49% indicate that underwriting has become more strict compared to past years, 84% are occasionally or frequently unable to find coverage for a client.

This information indicates that the trend in the market is towards less competition.

#### Exhibit VII – Residual Market Population

The North Dakota Auto Plan is managed by Automobile Insurance Placement Services Organization (AIPSO). The annual number of insured's in the plan has been very low when compared to the total eligible registered vehicles in this state. This low residual market population is indicative of a very competitive market.

#### Exhibit VIII – Matrix of Indicators

With the exception of the field market survey, and the loss ratio vs Rate Change exhibit, all factors tend to indicate the market is highly competitive.

#### Final assessment

The evaluation of the market through the year 2004 indicates a highly competitive market. The information obtained through the October 2004 survey indicates a slight tightening of the market. In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index and residual market population data, as these are statistically sound indicators.

The general condition of the market is felt to be highly competitive.

# COMMERCIAL AUTO

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index
1991	30.0%	59.2%	487	12.9%	35.5%	99
1992	32.9%	58.7%	531	11.4%	32.9%	87
1993	34.0%	59.7%	567	10.5%	30.7%	79
1994	33.8%	62.8%	546	9.2%	27.5%	68
1995	32.3%	62.7%	561	8.6%	26.1%	63
1996	32.9%	62.0%	555	8.8%	26.6%	64
1997	29.9%	58.9%	453	9.6%	28.0%	69
1998	31.3%	61.8%	501	5.9%	16.7%	68
1999	31.6%	57.8%	483	9.2%	26.9%	65
2000	32.3%	59.3%	491	8.7%	25.1%	59
2001	33.0%	61.8%	499	8.8%	25.9%	62
2002	28.9%	60.1%	419	9.0%	27.6%	67
2003	26.3%	60.9%	378	9.5%	29.1%	72
2004	26.2%	62.7%	(501)	9.1%	28.8%	71
					(280)	

### Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index >2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
Post-merger market Herfindahl index  
> 1,800 - highly concentrated  
1,000 < Herfindahl index < 1,800 - moderately concentrated  
< 1,000 - unconcentrated

A change in data availability resulted in the department's computing the Herfindahl Indices in parenthesis using marketshares at the group level (i.e. marketshares of sister companies are combined).

**COMMERCIAL AUTO**

**EXHIBIT II-A: NORTH DAKOTA MARKET SHARE REPORT**

Year: 2004						Year: 2003						Year: 2002					
Company	Direct WP (\$ in 000s)	Market Share	Cumulative	Company	Direct WP (\$ in 000s)	Market Share	Cumulative	Company	Direct WP (\$ in 000s)	Market Share	Cumulative						
Great West Cas Co	\$ 13,217	15.2%	15.2%	Great West Cas Co	\$ 12,897	15.2%	15.2%	Great West Cas Co	\$ 12,984	16.6%	16.6%						
Dakota Fire Ins Co	\$ 3,415	3.9%	19.1%	Northland Ins Co	\$ 3,276	3.9%	19.1%	Northland Ins Co	\$ 3,580	4.6%	21.3%						
Northland Ins Co	\$ 3,149	3.6%	22.7%	Dakota Fire Ins Co	\$ 3,203	3.8%	22.9%	Dakota Fire Ins Co	\$ 3,037	3.9%	25.2%						
Auto-Owners Ins Co	\$ 3,090	3.5%	26.2%	Auto-Owners Ins Co	\$ 2,931	3.5%	26.3%	Auto-Owners Ins Co	\$ 2,873	3.7%	28.9%						
State Farm Mut Auto Ins Co	\$ 3,051	3.5%	28.7%	State Farm Mut Auto Ins Co	\$ 2,895	3.4%	28.7%	State Farm Mut Auto Ins Co	\$ 2,808	3.4%	32.3%						
Acuity A Mut Ins Co	\$ 2,812	3.2%	33.0%	Acuity A Mut Ins Co	\$ 2,623	3.1%	32.8%	Acuity A Mut Ins Co	\$ 2,298	3.0%	35.2%						
Sentry Select Ins Co	\$ 2,701	3.1%	36.1%	Zurich American Ins Co	\$ 2,421	2.9%	35.7%	Farmers Alliance Mut Ins Co	\$ 2,000	2.6%	37.8%						
Cincinnati Ins Co	\$ 2,526	2.9%	39.0%	Sentry Select Ins Co	\$ 2,115	2.5%	38.2%	Zurich American Ins Co	\$ 1,988	2.4%	40.2%						
Liberty Mut Fire Ins Co	\$ 2,302	2.6%	41.6%	Integon Natl Ins Co	\$ 2,100	2.1%	40.6%	Continental Western Ins Co	\$ 1,857	2.1%	42.4%						
Integon Natl Ins Co	\$ 2,291	2.6%	44.2%	Farmers Alliance Mut Ins Co	\$ 1,934	2.3%	42.9%	Sentry Select Ins Co	\$ 1,829	2.1%	44.5%						
Continental Western Ins Co	\$ 2,145	2.5%	46.7%	Continental Western Ins Co	\$ 1,913	2.3%	45.2%	Cincinnati Ins Co	\$ 1,565	2.0%	46.5%						
Farmers Alliance Mut Ins Co	\$ 1,828	2.1%	48.8%	Lincoln General Ins Co	\$ 1,707	2.0%	47.2%	St Paul Fire & Marine Ins Co	\$ 1,525	2.0%	48.5%						
St Paul Fire & Marine Ins Co	\$ 1,703	2.0%	50.8%	Cincinnati Ins Co	\$ 1,693	2.0%	49.2%	Integon Natl Ins Co	\$ 1,390	1.8%	50.3%						
Lincoln General Ins Co	\$ 1,675	1.9%	52.7%	St Paul Fire & Marine Ins Co	\$ 1,642	1.9%	51.1%	National Cas Co	\$ 1,210	1.6%	51.8%						
General Cas Co Of WI	\$ 1,616	1.9%	54.5%	Liberty Mut Fire Ins Co	\$ 1,609	1.9%	53.0%	Grimm Mut Reins Co	\$ 1,129	1.5%	53.3%						
Nationwide Mut Ins Co	\$ 1,561	1.8%	56.3%	General Cas Co Of WI	\$ 1,535	1.8%	54.8%	Lincoln General Reins Co	\$ 1,106	1.4%	54.7%						
Grimm Mut Reins Co	\$ 1,514	1.7%	58.1%	American Home Assur Co	\$ 1,337	1.6%	56.4%	General Cas Co Of WI	\$ 1,095	1.4%	56.1%						
Nodak Mut Ins Co	\$ 1,356	1.6%	59.9%	National Cas Co	\$ 1,285	1.5%	57.9%	Liberty Mut Fire Ins Co	\$ 1,072	1.4%	57.5%						
National Cas Co	\$ 1,346	1.5%	61.2%	Grinnell Mut Reins Co	\$ 1,270	1.5%	58.4%	Nationwide Mut Ins Co	\$ 1,056	1.4%	58.9%						
Zurich American Ins Co	\$ 1,344	1.5%	62.7%	Nationwide Mut Ins Co	\$ 1,256	1.5%	60.9%	National Ind Co	\$ 968	1.2%	60.1%						
Year: 2001						Year: 2000						Year: 1999					
Company	Direct WP (\$ in 000s)	Market Share	Cumulative	Company	Direct WP (\$ in 000s)	Market Share	Cumulative	Company	Direct WP (\$ in 000s)	Market Share	Cumulative						
Great West Cas Co	\$ 13,108	18.5%	18.5%	Great West Cas Co	\$ 11,933	18.8%	18.8%	Great West Cas Co	\$ 11,127	18.8%	18.8%						
Northland Ins Co	\$ 4,744	6.7%	25.2%	Northland Ins Co	\$ 3,314	5.2%	24.0%	Northland Ins Co	\$ 2,844	4.8%	23.6%						
Dakota Fire Ins Co	\$ 2,860	4.1%	29.3%	Dakota Fire Ins Co	\$ 2,895	4.6%	28.6%	Dakota Fire Ins Co	\$ 2,492	4.2%	27.8%						
Auto-Owners Ins Co	\$ 2,591	3.7%	33.0%	Auto-Owners Ins Co	\$ 2,382	3.8%	32.3%	State Farm Mut Auto Ins Co	\$ 2,286	3.9%	31.6%						
State Farm Mut Auto Ins Co	\$ 2,438	3.4%	36.4%	State Farm Mut Auto Ins Co	\$ 2,231	3.5%	35.8%	Continental Western Ins Co	\$ 2,160	3.6%	35.3%						
Zurich American Ins Co	\$ 1,843	2.6%	39.1%	General Cas Co Branch	\$ 1,548	2.4%	38.3%	Liberty Mut Fire Ins Co	\$ 1,570	2.6%	37.9%						
Farmers Alliance Mut Ins Co	\$ 1,794	2.5%	41.6%	Acuity A Mut Ins Co	\$ 1,477	2.3%	40.6%	Acuity A Mut Ins Co	\$ 1,331	2.2%	40.2%						
Acuity A Mut Ins Co	\$ 1,719	2.4%	44.0%	Continental Western Ins Co	\$ 1,370	2.2%	42.8%	Farmers Alliance Mut Ins Co	\$ 1,214	2.0%	42.2%						
MGA Ins Co Inc	\$ 1,570	2.2%	46.2%	Farmers Alliance Mut Ins Co	\$ 1,320	2.1%	44.8%	Farmers Alliance Mut Ins Co	\$ 963	1.6%	43.9%						
St Paul Fire & Marine Ins Co	\$ 1,458	2.1%	48.3%	Hawkeye-Security Ins Co	\$ 1,175	1.9%	48.7%	Universal Underwriters Ins Co	\$ 929	1.6%	45.4%						
Continental Western Ins Co	\$ 1,347	1.9%	50.2%	Westfield Ins Co	\$ 1,142	1.8%	48.5%	Westfield Ins Co	\$ 912	1.5%	47.0%						
Cincinnati Ins Co	\$ 1,265	1.8%	52.0%	Clarendon Natl Ins Co	\$ 882	1.4%	48.9%	St Paul Fire & Marine Ins Co	\$ 769	1.3%	48.3%						
Westfield Ins Co	\$ 1,058	1.5%	53.5%	Meridian Mut Ins Co	\$ 782	1.2%	51.1%	Farmers Union Mut Ins Co	\$ 766	1.3%	49.5%						
General Cas Co Of WI	\$ 1,025	1.5%	55.0%	Gulf Ins Co	\$ 780	1.2%	52.3%	National Farmers Union Prop & Cas	\$ 761	1.3%	50.8%						
Continental Cas Co	\$ 890	1.3%	56.2%	Farmers Union Mut Ins Co	\$ 753	1.2%	53.5%	Reliance Ins Co	\$ 739	1.2%	52.1%						
Farmers Union Mut Ins Co	\$ 804	1.1%	57.4%	Universal Underwriters Ins Co	\$ 759	1.2%	54.7%	Meridian Citizens Mut Ins Co	\$ 716	1.2%	53.3%						
American Hardware Mut Ins Co	\$ 795	1.1%	58.5%	St Paul Fire & Marine Ins Co	\$ 742	1.2%	55.9%	American Hardware Mut Ins Co	\$ 691	1.2%	54.5%						
Motors Ins Corp	\$ 789	1.1%	59.6%	National Cas Co	\$ 732	1.2%	57.1%	Cincinnati Ins Co	\$ 686	1.2%	55.6%						
Allstate Ins Co	\$ 780	1.1%	60.7%	American Hardware Mut Ins Co	\$ 710	1.1%	56.2%	Everest Natl Ins Co	\$ 662	1.1%	56.7%						
Universal Underwriters Ins Co	\$ 777	1.1%	61.8%	Motors Ins Corp	\$ 707	1.1%	55.3%	Continental Cas Co	\$ 652	1.1%	57.8%						

## COMMERCIAL AUTO

### EXHIBIT IIB: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

	# of New Entries/Exits	Changes within Top 20 Carriers
1992	3	15
1993	4	11
1994	3	15
1995	5	10
1996	4	14
1997	4	12
1998	3	11
1999	3	12
2000	8	7
2001	6	9
2002	9	5
2003	1	13
2004	1	14

**EXHIBIT IIC: NORTH DAKOTA COMMERCIAL AUTO MARKET SHARE- SURPLUS (non-licensed)**

YEAR:	2004	2003	2002
Company	Direct Written Premium (000s)	Direct Written Premium (000s)	Direct Written Premium (000s)
Lexington Ins Co	\$ 430.54	American Safety Ind Co	\$ 222.41
American Safety Ind Co	\$ 192.70	Integon Specialty Ins	\$ 112.08
St Paul Surplus Lines Ins Co	\$ 169.24	Interstate Fire & Cas Co	\$ 60.90
Integon Specialty Ins	\$ 148.87	Scottsdale Ins Co	\$ 60.51
Scottsdale Ins Co	\$ 67.74	American Empire Surplus Lns Ins Co	\$ 32.50
Interstate Fire & Cas Co	\$ 55.31	Columbia Cas Co	\$ 24.17
Western Heritage Ins Co	\$ 36.31	St Paul Surplus Lines Ins Co	\$ 21.37
Ooida RRG Inc	\$ 29.63	Western Heritage Ins Co	\$ 21.10
Columbia Cas Co	\$ 23.10	Prime Insurance Syndicate Inc	\$ 15.98
Acceptance Ind Ins Co	\$ 16.21	Acceptance Ind Ins Co	\$ 14.93
National Fire & Marine Ins Co	\$ 11.44	Great American E&S Ins Co	\$ 10.81
Prime Insurance Syndicate Inc	\$ 7.22	Essex Ins Co	\$ 9.56
Century Surety Co	\$ 1.85	Ooida RRG Inc	\$ 6.87
Burlington Ins Co	\$ 1.16	Northfield Ins Co	\$ 3.63
Steadfast Ins Co	\$ 0.50	Burlington Ins Co	\$ 1.98
Specialty Surplus Ins Co	\$ 0.31	National Fire & Marine Ins Co	\$ 1.80
Northfield Ins Co	\$ 0.30	American Intl Specialty Lines Ins Co	\$ 0.05
Usf Ins Co	\$ 0.30		
Discover Specialty Ins Co	\$ 0.10		
	\$1,192.83		\$ 620.63
			\$ 307.02

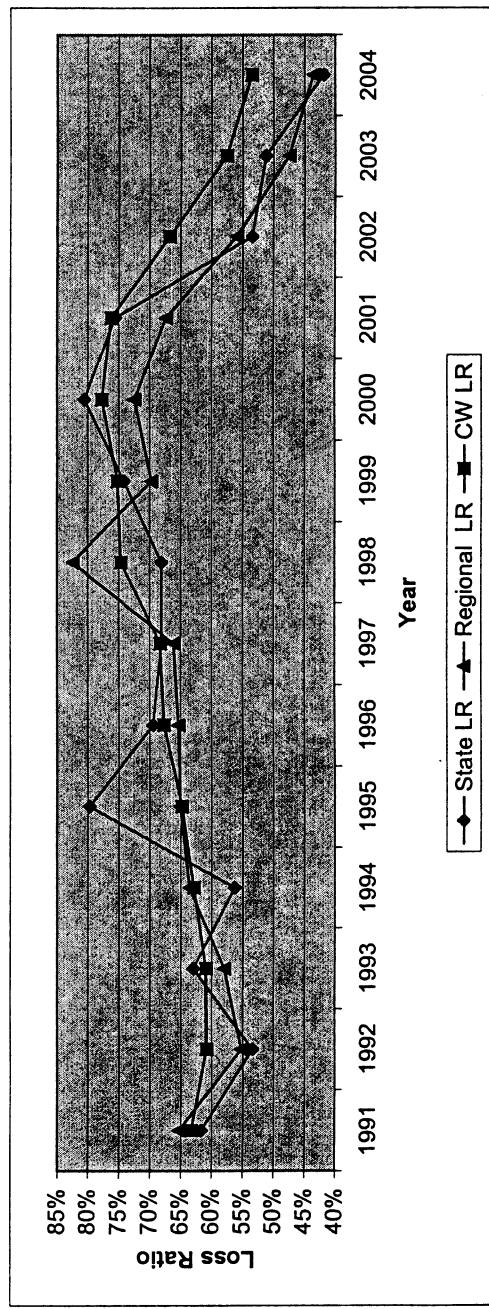
YEAR:	2001	2000	1999
Company	Direct Written Premium (000s)	Direct Written Premium (000s)	Direct Written Premium (000s)
TIG Specialty Ins Corp	\$ 86.20	Northfield Ins Co	\$ 60.18
Interstate Fire & Cas Co	\$ 24.77	TIG Specialty Ins Corp	\$ 25.63
Northfield Ins Co	\$ 21.75	General Agents Ins Co Of Amer Inc	\$ 8.99
Western Heritage Ins Co	\$ 17.47	Western Heritage Ins Co	\$ 5.64
Ooida RRG Inc	\$ 7.81	Chubb Custom Ins Co	\$ 1.25
Specialty Surplus Ins Co	\$ 4.90	Ooida RRG Inc	\$ 0.95
Mount Vernon Fire Ins Co	\$ 2.94	Landmark Amer Ins Co	\$ 0.74
Scottsdale Ins Co	\$ 2.63	Scottsdale Ins Co	\$ 0.46
St Paul Surplus Lines Ins Co	\$ 0.55	Pacific Ins Co Ltd	\$ 0.35
General Agents Ins Co Of Amer Inc	\$ 0.15	General Star Ind Co	\$ 0.28
Firemans Fund Ins Co Of OH	\$ 0.02	Interstate Fire & Cas Co	\$ 0.26
	\$ 169.28		\$ 104.72
			\$ 386.60

YEAR:	1998	1997	1996
Company	Direct Written Premium (000s)	Direct Written Premium (000s)	Direct Written Premium (000s)
Pacific Ins Co Ltd	\$ 163.82	Pacific Ins Co Ltd	\$ 143.11
Reliance Ins Co Of IL	\$ 92.84	Northfield Ins Co	\$ 30.73
Northfield Ins Co	\$ 46.82	Western Heritage Ins Co	\$ 16.21
Monticello Ins Co	\$ 5.24	General Agents Ins Co Of Amer Inc	\$ 6.99
Columbia Cas Co	\$ 5.00	Columbia Cas Co	\$ 5.00
Chubb Custom Ins Co	\$ 4.44	Lexington Ins Co	\$ 3.61
Lexington Ins Co	\$ 2.89	Scottsdale Ins Co	\$ 2.92
Scottsdale Ins Co	\$ 2.37	Commercial Underwriters Ins Co	\$ 2.50
Western Heritage Ins Co	\$ 1.85	Landmark Amer Ins Co	\$ 1.16
Landmark Amer Ins Co	\$ 1.40	American Intl Specialty Lines Ins Co	\$ 1.02
General Agents Ins Co Of Amer Inc	\$ 1.20	Acceptance Ind Ins Co	\$ 0.35
American Intl Specialty Lines Ins Co	\$ 1.00	Gulf Underwriters Ins Co	\$ 0.06
	\$ 328.88		\$ 213.65
			\$ 86.39

# COMMERCIAL AUTO

## EXHIBIT III: HISTORICAL LOSS RATIOS

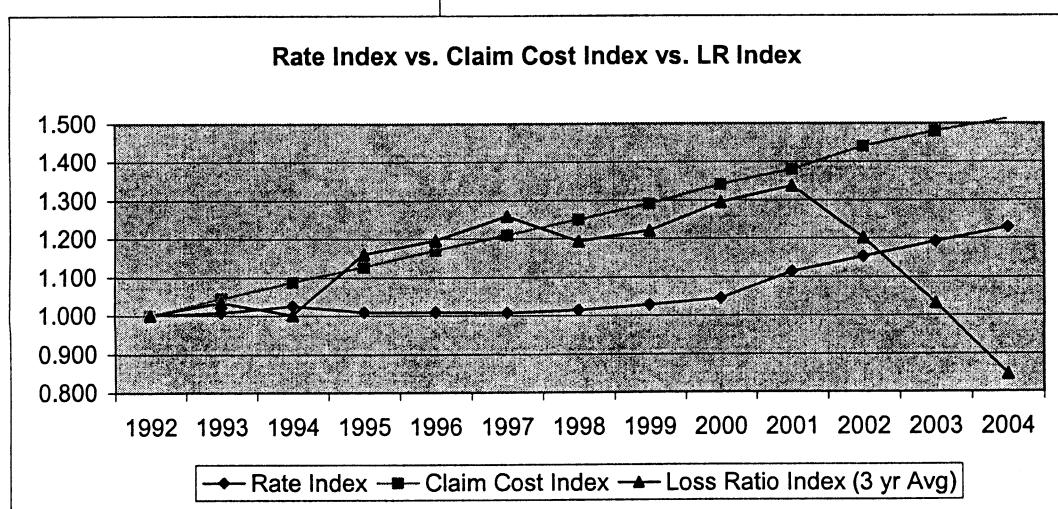
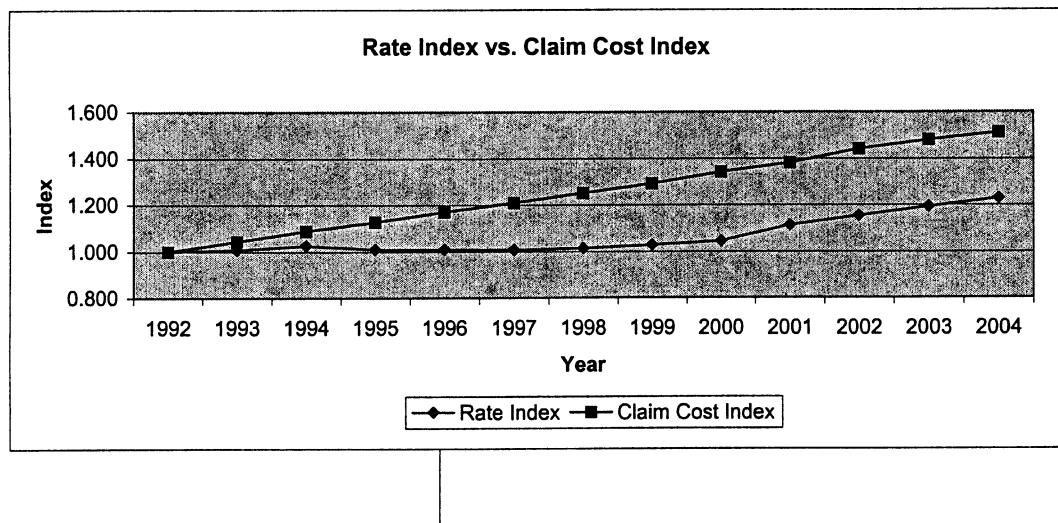
Year	Statewide Loss Ratio	Regional Loss Ratio	Countrywide Loss Ratio
1991	62%	65%	63%
1992	53%	55%	61%
1993	63%	58%	61%
1994	56%	64%	63%
1995	80%	65%	65%
1996	69%	65%	68%
1997	68%	66%	68%
1998	68%	82%	75%
1999	74%	70%	75%
2000	80%	72%	78%
2001	76%	67%	76%
2002	53%	56%	67%
2003	51%	47%	57%
2004	42%	43%	53%



# COMMERCIAL AUTO

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

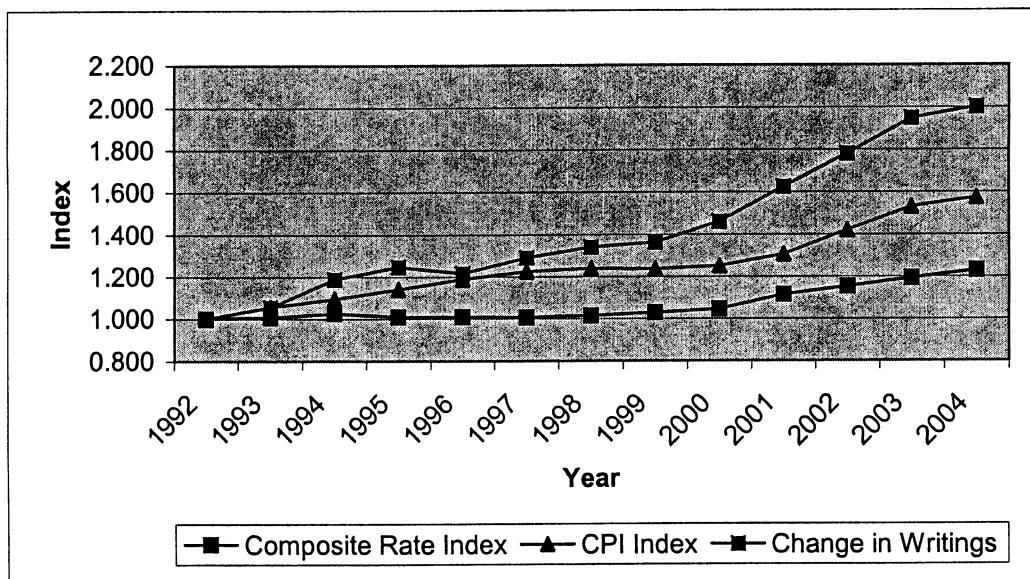
Year	Composite Rate	Relevant Claim Cost	Statewide 3 Yr LR Indexed to 1992
	Index	Index	
1992	1.000	1.000	1.000
1993	1.007	1.043	1.033
1994	1.024	1.087	1.001
1995	1.009	1.126	1.160
1996	1.009	1.170	1.195
1997	1.007	1.209	1.258
1998	1.013	1.250	1.192
1999	1.027	1.290	1.221
2000	1.044	1.340	1.294
2001	1.113	1.379	1.336
2002	1.152	1.439	1.201
2003	1.191	1.479	1.032
2004	1.228	1.511	0.846



# COMMERCIAL AUTO

## EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide Written			Composite Rate Index	Consumer Price Index
	Premium (000s)	Change in Writings	Indexed to 1992		
1991	\$ 41,306				
1992	\$ 43,523	5.4%	1.00	1.000	1.000
1993	\$ 45,866	5.4%	1.05	1.007	1.055
1994	\$ 51,659	12.6%	1.19	1.024	1.094
1995	\$ 54,224	5.0%	1.25	1.009	1.140
1996	\$ 52,889	-2.5%	1.22	1.009	1.187
1997	\$ 56,103	6.1%	1.29	1.007	1.224
1998	\$ 58,298	3.9%	1.34	1.013	1.237
1999	\$ 59,260	1.7%	1.36	1.027	1.235
2000	\$ 63,495	7.1%	1.46	1.044	1.249
2001	\$ 70,676	11.3%	1.62	1.113	1.305
2002	\$ 77,484	9.6%	1.78	1.152	1.419
2003	\$ 84,776	9.4%	1.95	1.191	1.530
2004	\$ 87,154	2.8%	2.00	1.228	1.573



# COMMERCIAL AUTO

## EXHIBIT VI: FIELD MARKET SURVEY

	<u>Fewer</u>	<u>Same</u>	<u>More</u>	<u>Total Responses</u>
<b>Available Markets</b>	<u>31</u>	23.7%	<u>82</u>	62.6% <u>131</u>
<b>Rate Changes</b>	<u>88</u>	67.2%	<u>42</u>	32.1% <u>131</u>
<b>UW Changes</b>	<u>64</u>	49.2%	<u>58</u>	44.6% <u>130</u>
<b>Finding Coverage</b>	<u>21</u>	16.3%	<u>95</u>	73.6% <u>129</u>

## COMMERCIAL AUTO

### EXHIBIT VII – RESIDUAL MARKET POPULATION

Private Passenger Auto	Commercial Auto	Registered vehicles
1991 - 49	39	648,000
1992 - 52	39	674,000
1993 - 54	31	680,000
1994 - 62	33	688,000
1995 - 38	19	696,000
1996 - 29	12	696,000
1997 - 16	10	696,000
1998 - 11	7	688,000
1999 - 14	9	720,000
2000 - 10	11	715,000
2001 - 6	14	791,000
2002 - 2	21	809,000
2003 - 7	22	820,000
2004 - 0	7	837,000

## COMMERCIAL AUTO

### **EXHIBIT VIII - MATRIX OF INDICATORS**

<b>Factor</b>	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )			XX
Market Share Analysis –Market Share Changes			XX
Market Share Analysis –Company Changes			XX
Market Share Analysis – Surplus (non-licensed)			XX
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes			XX
Change in Premium Writings	NA	NA	NA
Field Market Survey Results-October 2004	XX		
Residual Market Population			XX
Final ranking based upon all factors: High			

**Addendum 3****Narrative Summary – Commercial Multi Peril Package**

The market analysis components found in the attached exhibits for commercial multi peril package are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

The historical concentration ratios and Herfindahl indices for North Dakota are very low relative to the national benchmarks. This indicates the market is not concentrated and is highly competitive. We Note however that the 20 firm concentration ratio has been increasing in recent years.

The index for North Dakota compared to countrywide, indicates the North Dakota market is more concentrated than the countywide market. Some of this difference is due to the fact that North Dakota is a relatively small volume market that is more easily dominated by a few larger companies.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

The ranking of the top 4 writers over the past six years has varied considerably. The top 4 positions have held approximately 19% - 24% of the market share over the past 6 years.

While the total market share of the top 20 companies combined has exceeded 60% the past two years, this is still considered to be fairly low.

These statistics indicate that the market is very competitive. We temper this conclusion somewhat because the general category of Commercial Multi-Peril Package includes such a wide array of contracts and risk exposures. Contracts can include Commercial Multi-Peril, Businessowners, Owners, Landlords and Tenants as well as other specialty packages. Further, some companies specialize in writing only certain risk categories. Not all companies write all classes of risk.

**Exhibit II-B – Market Share Analysis –Company Changes**

2003 and 2004 notwithstanding, the number of entries and exits in the top 20 has been significant. There is also considerable movement among all companies within the top 20.

Highly competitive markets are associated with a high degree of movement and a low concentration of market share.

This information suggests that the level of competition is high. This conclusion is tempered based upon the factors discussed in II-A.

#### Exhibit II-C – Market Share Analysis – Surplus (non-licensed)

The analysis of the surplus lines market for this line of business is difficult. Much of what would normally be categorized as commercial multi peril in the admitted market may instead be classified in fire and allied lines for property coverage and other liability for commercial liability in the surplus market reporting. It is noteworthy however that in the past two years some business written by surplus lines carriers was coded as Commercial Multi-peril.

The influx of premium in the surplus lines market in the past two years (3.6% of the total premium in 2004) is consistent with anecdotal evidence the department has received regarding specific classes of business or niche markets that are having difficulty obtaining insurance. Since 2001, when the market began to harden, these risks have been unable to find coverage in the admitted market. The market for these risks is clearly not competitive, even though the overall indication for the broad Commercial Multi-peril Package market is competitive.

#### Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

Statewide loss ratios have fluctuated dramatically from year to year. The regional loss experience has also fluctuated but to a lesser magnitude. The countrywide ratios have been fairly stable. The variation in data makes it difficult to draw any meaningful conclusions on this factor alone.

This information by itself is not an indicator of the competitive level of the market.

#### Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

The changes in rates have followed closely with the national change in claims costs. Due to the volatility in the statewide loss ratios, we are unable to make a definitive conclusion on the competitive level of the market from this exhibit. Therefore we maintain our previous determination as a moderately competitive market.

#### Exhibit V – Change in Premium Writings

The statewide premium volume has more than doubled in the past ten years. Historical rate changes and price trends measured by the CPI appear to account for most of the increased premium volume. In this analysis the combined effects of the rate change index and the CPI are directly comparable to the written premium index.

This information is by itself not an indicator of the competitive level of the market.

#### Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004.

Some notable factors from the survey: 18% of those responding indicate there are fewer markets (companies) available to them (compared to 55% in the 2003 survey). 69% say that rates have risen, 47% indicate that underwriting has become more strict compared to past years, 84% are occasionally or frequently unable to find coverage for a client.

This information, though not as severe as was reported in the 2003 survey, still indicates that the market is non-competitive.

#### Exhibit VII – Residual Market Population

There is no residual market mechanism for commercial lines in North Dakota. Consumers who can not obtain insurance through the admitted market must either look for coverage in the surplus market, or go without.

The absence of the need for a residual market mechanism would normally be considered an indicator of a competitive market.

#### Exhibit VIII – Matrix of Indicators

The Herfindahl index, Market Share Changes, Market Share Company Changes results and the lack of a residual market indicate a highly competitive market. The Market Share Surplus provides no conclusion. The loss ratios versus rate change versus claims cost index indicates a moderately competitive market. The field survey indicates that the market is becoming less competitive.

#### Final assessment

The evaluation of the market through the year 2004 indicates a highly competitive market. The information obtained through the October 2004 survey indicate a tightening of the market. In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index and Market Share analysis as these are statistically sound indicators. While the field survey results and department observations are less statistically viable, they are considered in the final ranking.

The general condition of the market is felt to be highly competitive. However, anecdotal information received from consumers in specific niche markets within the commercial multi peril line and the fact that premium for this line was written in the surplus lines market in the past two years, would indicate a low competitive level for some niche markets.

# COMMERCIAL MULTI-PERIL PACKAGE

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index
1992	19.5%	54.9%	218	13.6%	36.6%	108
1993	19.6%	56.6%	224	14.1%	35.5%	106
1994	20.5%	57.0%	234	12.0%	33.5%	92
1995	20.6%	56.8%	234	10.8%	31.3%	83
1996	19.3%	54.1%	211	11.4%	31.5%	84
1997	20.5%	54.2%	216	11.0%	30.5%	81
1998	20.7%	54.6%	219	11.3%	31.9%	84
1999	20.1%	53.8%	214	9.8%	30.6%	77
2000	18.9%	51.5%	201	9.6%	29.8%	75
2001	20.6%	54.6%	221	10.2%	30.2%	78
2002	22.1%	60.3%	255	10.9%	30.8%	82
2003	24.3%	63.8%	284	11.7%	32.7%	89
2004	22.3%	64.6%	273	(462)	12.1%	95
						(332)

### Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index <2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
Post-merger market Herfindahl index  
> 1,800 - highly concentrated  
1,000 < Herfindahl index < 1,800 - moderately concentrated  
< 1,000 - unconcentrated

A change in data availability resulted in the department's computing the Hefindahl Indices in parenthesis using marketshares at the group level (i.e. marketshares of sister companies are combined).

## COMMERCIAL MULTI-PERIL PACKAGE

EXHIBIT II A: NORTH DAKOTA MARKET SHARE REPORT

Market Share Analysis by Company Type and State												
Year:	2002			2003			2004			Year:		
	Company	Direct WP (\$ in 000s)	Market Share	Cumulative	Company	Direct WP (\$ in 000s)	Market Share	Cumulative	Company	Direct WP (\$ in 000s)	Market Share	Cumulative
American Family Mut Ins Co	\$ 5,127	6.1%	6.1%	American Family Mut Ins Co	\$ 5,799	7.5%	7.5%	American Family Mut Ins Co	\$ 4,781	7.0%	7.0%	Market!
Farmland Mut Ins Co	\$ 5,010	5.9%	12.0%	Farmland Mut Ins Co	\$ 4,843	6.3%	13.8%	Farmland Mut Ins Co	\$ 4,098	6.0%	13.1%	
Acuity A Mut Ins Co	\$ 4,878	5.8%	17.8%	Cincinnati Mut Ins Co	\$ 4,061	5.3%	19.1%	Cincinnati Mut Ins Co	\$ 3,215	4.7%	17.8%	
Continental Western Ins Co	\$ 5,384	4.6%	22.3%	Acuity A Mut Ins Co	\$ 4,031	5.2%	24.3%	Farmers Union Mut Ins Co	\$ 2,910	4.3%	22.1%	
State Farm Fire And Cas Co	\$ 3,345	4.0%	26.3%	Tri State Ins Co Of MN	\$ 3,066	4.0%	28.3%	State Farm Fire And Cas Co	\$ 2,798	4.1%	26.2%	
Farmers Union Mut Ins Co	\$ 3,277	3.9%	30.3%	State Farm Fire And Cas Co	\$ 3,058	4.0%	32.3%	Acuity A Mut Ins Co	\$ 2,708	4.0%	30.2%	
Tri State Ins Co Of MN	\$ 3,180	3.8%	34.2%	Farmers Union Mut Ins Co	\$ 3,038	3.9%	36.2%	Tri State Ins Co Of MN	\$ 2,214	3.3%	33.4%	
State Auto Prop & Cas Ins Co	\$ 2,969	3.5%	37.9%	State Auto Prop & Cas Ins Co	\$ 2,409	3.1%	39.3%	State Auto Prop & Cas Ins Co	\$ 1,906	2.8%	36.8%	
Amico Ins Co	\$ 2,640	3.1%	41.5%	Continental Western Ins Co	\$ 2,268	2.9%	42.3%	QBE Ins Corp	\$ 1,753	2.6%	38.8%	
Owners Ins Co	\$ 2,179	2.6%	44.6%	Auto-Owners Ins Co	\$ 1,983	2.6%	44.9%	Amico Ins Co	\$ 1,736	2.6%	41.4%	
Auto-Owners Ins Co	\$ 2,114	2.5%	47.2%	Federal Ins Co	\$ 1,938	2.5%	47.4%	Auto-Owners Ins Co	\$ 1,578	2.3%	45.9%	
Federal Ins Co	\$ 1,901	2.2%	49.7%	Owners Ins Co	\$ 1,754	2.3%	49.7%	Continental Western Ins Co	\$ 1,469	2.2%	45.9%	
Church Mut Ins Co	\$ 1,700	2.0%	53.9%	Philadelphia Ind Ins Co	\$ 1,592	2.1%	51.7%	Federal Ins Co	\$ 1,466	2.2%	48.0%	
Nationwide Agribusiness Ins Co	\$ 1,682	2.0%	55.9%	Church Mut Ins Co	\$ 1,587	2.1%	53.8%	Church Mut Ins Co	\$ 1,298	1.9%	49.9%	
Grinnell Mut Reins Co	\$ 1,628	1.9%	57.9%	Philadelphia Ind Ins Co	\$ 1,492	1.9%	55.7%	Philadelphia Ind Ins Co	\$ 1,258	1.9%	51.9%	
Philadelphia Ind Ins Co	\$ 1,538	1.8%	59.7%	Nationwide Agribusiness Ins Co	\$ 1,317	1.7%	57.4%	American Cas Co Of Reading PA	\$ 1,270	1.9%	53.7%	
QBE Ins Corp	\$ 1,522	1.8%	61.5%	Travelers Property Cas Co Of Amer	\$ 1,253	1.8%	59.1%	Owners Ins Co	\$ 1,178	1.7%	57.1%	
General Cas Co Of WI	\$ 1,334	1.6%	63.1%	QBE Ins Corp	\$ 1,246	1.6%	60.7%	General Cas Co Of WI	\$ 1,129	1.7%	57.1%	
General Cas Co Of WI	\$ 1,295	1.5%	64.6%	Grinnell Mut Reins Co	\$ 1,214	1.6%	62.3%	Travelers Property Cas Co Of Amer	\$ 1,113	1.6%	58.8%	
				General Cas Co Of WI	\$ 1,178	1.5%	63.8%	Grinnell Mut Reins Co	\$ 1,047	1.5%	60.3%	
Market Share Analysis by Company Type and State										Year: 1999		
Year:	1999			2000			2001			Year:		
	Company	Direct WP (\$ in 000s)	Market Share	Company	Direct WP (\$ in 000s)	Market Share	Company	Direct WP (\$ in 000s)	Market Share			
Acuity A Mut Ins Co	\$ 3,332	6.3%	6.3%	Acuity A Mut Ins Co	\$ 2,936	5.9%	5.9%	Acuity A Mut Ins Co	\$ 2,552	5.7%	5.7%	Market!
Cincinnati Mut Ins Co	\$ 2,781	5.0%	11.3%	Farmers Union Mut Ins Co	\$ 2,394	4.8%	10.8%	Farmers Union Mut Ins Co	\$ 2,509	5.7%	11.4%	
Farmland Mut Ins Co	\$ 2,651	4.7%	16.0%	Farmland Mut Ins Co	\$ 2,152	4.4%	15.2%	Farmland Mut Ins Co	\$ 2,076	4.7%	16.1%	
Farmers Union Mut Ins Co	\$ 2,549	4.6%	20.6%	American Family Mut Ins Co	\$ 1,868	3.8%	18.9%	American Family Mut Ins Co	\$ 1,771	4.0%	20.1%	
American Family Mut Ins Co	\$ 2,394	4.3%	24.8%	Cincinnati Mut Ins Co	\$ 1,711	3.5%	22.4%	Cincinnati Mut Ins Co	\$ 1,699	3.8%	23.9%	
State Farm Fire And Cas Co	\$ 2,385	3.3%	28.2%	Wastefield Ins Co	\$ 1,464	3.0%	25.4%	Wastefield Ins Co	\$ 1,224	3.2%	27.1%	
Tri State Ins Co Of MN	\$ 1,614	2.9%	31.0%	Capitol Ind Corp	\$ 1,316	2.7%	28.0%	Westfield Ins Co	\$ 1,272	2.9%	30.0%	
Wastefield Ins Co	\$ 1,374	2.5%	33.5%	Tri State Ins Co Of MN	\$ 1,163	2.4%	30.4%	Meridian Citizens Mut Ins Co	\$ 1,088	2.5%	32.4%	
Capitol Ind Corp	\$ 1,301	2.3%	35.8%	Republic Western Ins Co	\$ 1,180	2.4%	32.8%	Capitol Ind Corp	\$ 1,025	2.3%	34.7%	
Nationwide Agribusiness Ins Co	\$ 1,277	2.3%	38.1%	Meridian Mut Ins Co	\$ 1,142	2.3%	35.1%	Transportation Ins Co	\$ 1,004	2.3%	34.7%	
Amico Ins Co	\$ 1,148	2.1%	40.2%	Republic Western Ins Co	\$ 1,065	2.2%	37.3%	Church Mut Ins Co	\$ 956	2.2%	39.1%	
Church Mut Ins Co	\$ 997	2.0%	42.1%	Church Mut Ins Co	\$ 1,011	2.0%	39.3%	Republic Western Ins Co	\$ 895	2.0%	41.2%	
State Auto Prop & Cas Ins Co	\$ 1,014	1.8%	43.9%	QBE Ins Corp	\$ 915	1.9%	41.2%	General US Branch	\$ 868	2.0%	43.1%	
General Cas Co Of WI	\$ 922	1.6%	45.6%	General Cas Co Of WI	\$ 843	1.7%	42.9%	Nationwide Agribusiness Ins Co	\$ 812	1.8%	44.9%	
Grinnell Mut Reins Co	\$ 891	1.6%	47.2%	General Cas Co Of WI	\$ 756	1.5%	44.4%	American Economy Ins Co	\$ 726	1.6%	46.6%	
Transportation Ins Co	\$ 852	1.5%	48.7%	Valley Forge Ins Co	\$ 716	1.5%	47.4%	Auto-Owners Ins Co	\$ 666	1.5%	48.1%	
QBE Ins Corp	\$ 840	1.5%	50.2%	Assurance One Inc	\$ 693	1.4%	48.8%	Amico Ins Co	\$ 660	1.5%	49.6%	
State Automobile Mut Ins Co	\$ 832	1.5%	51.7%	Amico Ins Co	\$ 692	1.4%	50.2%	Transcontinental Ins Co	\$ 656	1.5%	51.0%	
Auto-Owners Ins Co	\$ 824	1.5%	53.1%	American Economy Ins Co	\$ 653	1.3%	51.5%	Great American Ins Co	\$ 630	1.1%	52.5%	
American Economy Ins Co	\$ 823	1.5%	54.6%	Continental Cas Co	\$ 582	1.3%	53.8%					

# COMMERCIAL MULTI-PERIL PACKAGE

## EXHIBIT IIB: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

Year into Top 20 Carriers	# of New Entries/Exits	Changes within Top 20 Carriers
1993	4	14
1994	2	16
1995	3	13
1996	6	12
1997	2	17
1998	4	14
1999	4	12
2000	6	9
2001	6	9
2002	6	12
2003	1	15
2004	0	14

**EXHIBIT IIC: NORTH DAKOTA COMMERCIAL MULTI-PERIL PACKAGE MARKET SHARE- SURPLUS (non-licensed)**

YEAR:	2004			2003			2002		
	Direct Written Premium <u>(000s)</u>	Direct Written Premium <u>(000s)</u>	Company	Direct Written Premium <u>(000s)</u>	Direct Written Premium <u>(000s)</u>	Company	Direct Written Premium <u>(000s)</u>	Direct Written Premium <u>(000s)</u>	Company
Chubb Custom Ins Co	\$ 927.78	\$ 317.62	Western Heritage Ins Co	\$ 349.69	\$ 265.75	Western Heritage Ins Co	\$ 349.69	\$ 265.75	Western Heritage Ins Co
Lexington Ins Co	\$ 516.38	\$ 308.60	Hermitage Ins Co	\$ 253.85	\$ 162.38	Scotsdale Ins Co	\$ 253.85	\$ 162.38	Scotsdale Ins Co
Western Heritage Ins Co	\$ 282.69	\$ 253.85	Lexington Ins Co	\$ 215.40	\$ 131.16	Hermitage Ins Co	\$ 215.40	\$ 131.16	Hermitage Ins Co
Everest Ind Ins Co	\$ 215.57	\$ 210.70	Scottsdale Ins Co	\$ 210.70	\$ 120.25	Royal Surplus Lines Ins Co	\$ 210.70	\$ 120.25	Royal Surplus Lines Ins Co
Scotsdale Ins Co	\$ 207.84	\$ 112.44	Liberty Surplus Ins Corp	\$ 112.44	\$ 79.86	Penn-Star Ins Co	\$ 112.44	\$ 79.86	Penn-Star Ins Co
Penn-Star Ins Co	\$ 196.02	\$ 110.76	Evanston Ins Co	\$ 110.76	\$ 66.59	Everest Ind Ins Co	\$ 110.76	\$ 66.59	Everest Ind Ins Co
Hermitage Ins Co	\$ 178.81	\$ 107.65	Everest Ind Ins Co	\$ 107.65	\$ 64.09	Evanston Ins Co	\$ 107.65	\$ 64.09	Evanston Ins Co
Century Surety Co	\$ 135.59	\$ 107.24	Century Surety Co	\$ 107.24	\$ 53.13	Essex Ins Co	\$ 107.24	\$ 53.13	Essex Ins Co
Liberty Surplus Ins Corp	\$ 123.74	\$ 88.29	Royal Surplus Lines Ins Co	\$ 88.29	\$ 40.46	Chubb Custom Ins Co	\$ 88.29	\$ 40.46	Chubb Custom Ins Co
Evanston Ins Co	\$ 50.14	\$ 51.00	Westchester Surplus Lines Ins Co	\$ 51.00	\$ 34.56	Kemper Ind Ins Co	\$ 51.00	\$ 34.56	Kemper Ind Ins Co
Capitol Specialty Ins Corp	\$ 40.78	\$ 38.83	Western World Ins Co	\$ 38.83	\$ 33.11	Liberty Surplus Ins Corp	\$ 38.83	\$ 33.11	Liberty Surplus Ins Corp
Essex Ins Co	\$ 35.61	\$ 29.32	Essex Ins Co	\$ 29.32	\$ 31.64	First Specialty Ins Corp	\$ 29.32	\$ 31.64	First Specialty Ins Corp
Western World Ins Co	\$ 32.23	\$ 20.35	Illinois Union Ins Co	\$ 20.35	\$ 21.92	Century Surety Co	\$ 20.35	\$ 21.92	Century Surety Co
Atlantic Cas Ins Co	\$ 24.16	\$ 18.57	Usf Ins Co	\$ 18.57	\$ 16.23	Lexington Ins Co	\$ 18.57	\$ 16.23	Lexington Ins Co
Burlington Ins Co	\$ 11.18	\$ 13.79	Chubb Custom Ins Co	\$ 13.79	\$ 11.87	Burlington Ins Co	\$ 13.79	\$ 11.87	Burlington Ins Co
Colony Ins Co	\$ 9.60	\$ 9.76	First Specialty Ins Corp	\$ 9.76	\$ 4.58	Western World Ins Co	\$ 9.76	\$ 4.58	Western World Ins Co
American Empire Surplus Lns Ins Co	\$ 6.95	\$ 8.02	Philadelphia In Co	\$ 8.02	\$ 3.83	Philadelphia In Co	\$ 8.02	\$ 3.83	Philadelphia In Co
United Natl Ins Co	\$ 4.53	\$ 7.37	Colony Ins Co	\$ 7.37	\$ 3.70	General Security Ind Co of AZ	\$ 7.37	\$ 3.70	General Security Ind Co of AZ
Maxum Ind Co	\$ 4.26	\$ 5.25	Burlington Ins Co	\$ 5.25	\$ 3.65	American Equity Ins Co	\$ 5.25	\$ 3.65	American Equity Ins Co
Us&G Specialty Ins Co	\$ 0.42	\$ 3.07	Capitol Specialty Ins Corp	\$ 3.07	\$ 2.88	Colony Ins Co	\$ 3.07	\$ 2.88	Colony Ins Co
Specialty Surplus Ins Co	\$ 0.26	\$ 2.97	Kemper Surplus Lines Ins Co	\$ 2.97	\$ 2.54	Illinois Union Ins Co	\$ 2.97	\$ 2.54	Illinois Union Ins Co
	\$ 3,004.52	\$ 2,044.03	Atlantic Cas Ins Co	\$ 1.61	\$ 1.89	Great American E&S Ins Co	\$ 1.61	\$ 1.89	Great American E&S Ins Co
			Great American E&S Ins Co	\$ 1.00	\$ 0.74	St Paul Surplus Lines Ins Co	\$ 1.00	\$ 0.74	St Paul Surplus Lines Ins Co
			Us&G Specialty Ins Co	\$ 0.50	\$ 0.44	Westchester Surplus Lines Ins Co	\$ 0.50	\$ 0.44	Westchester Surplus Lines Ins Co
			Columbia Cas Co	\$ 0.05	\$ 0.28	Us&G Specialty Ins Co	\$ 0.05	\$ 0.28	Us&G Specialty Ins Co
			Specialty Surplus Ins Co	\$ 0.01	\$ 0.08	Monticello Ins Co	\$ 0.01	\$ 0.08	Monticello Ins Co
					\$ 0.01	Interstate Fire & Cas Co	\$ 0.01	\$ 0.01	Interstate Fire & Cas Co
								\$ 1,507.31	

YEAR:  
**1998**  
Company  
Direct  
Written  
Premium  
(000s)

YEAR:  
**2001**  
Company  
Direct  
Written  
Premium  
(000s)

YEAR:  
**2000**  
Company  
Direct  
Written  
Premium  
(000s)

YEAR:  
**1999**  
Company  
Direct  
Written  
Premium  
(000s)

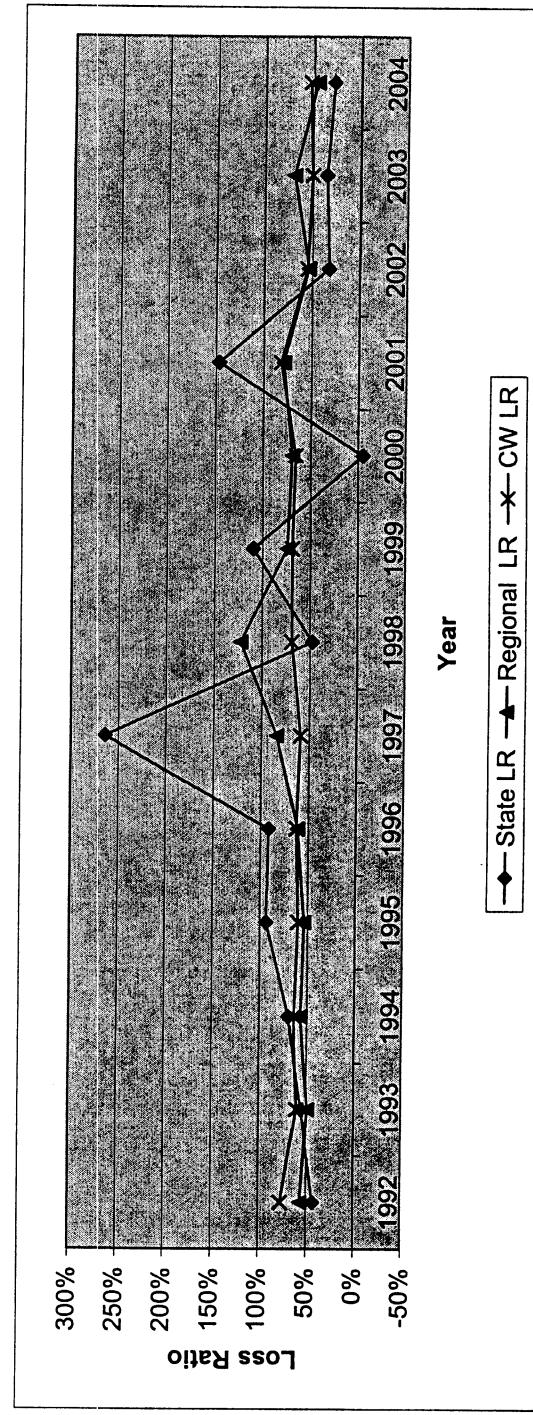
YEAR:  
**1997**  
Company  
Direct  
Written  
Premium  
(000s)

YEAR:  
**1996**  
Company  
Direct  
Written  
Premium  
(000s)

## COMMERCIAL MULTI-PERIL PACKAGE

### EXHIBIT III: HISTORICAL LOSS RATIOS

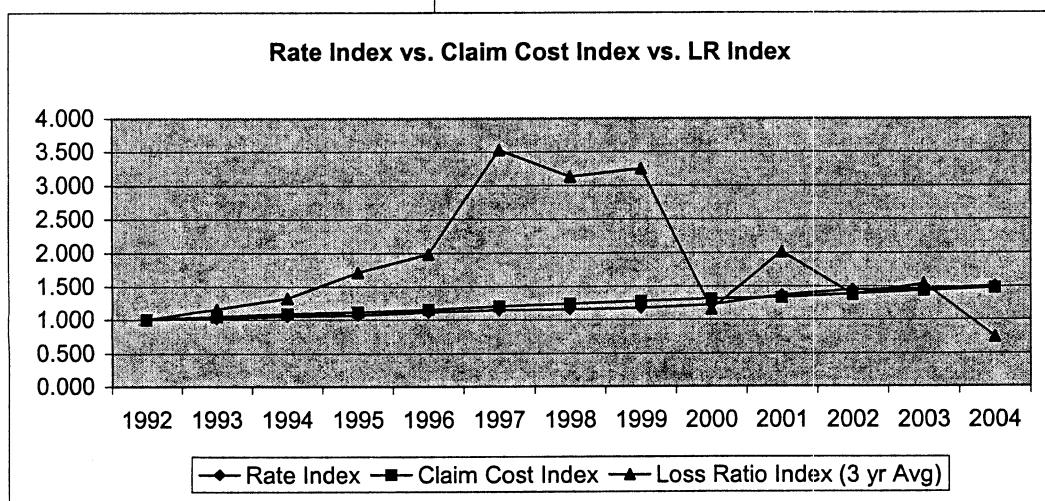
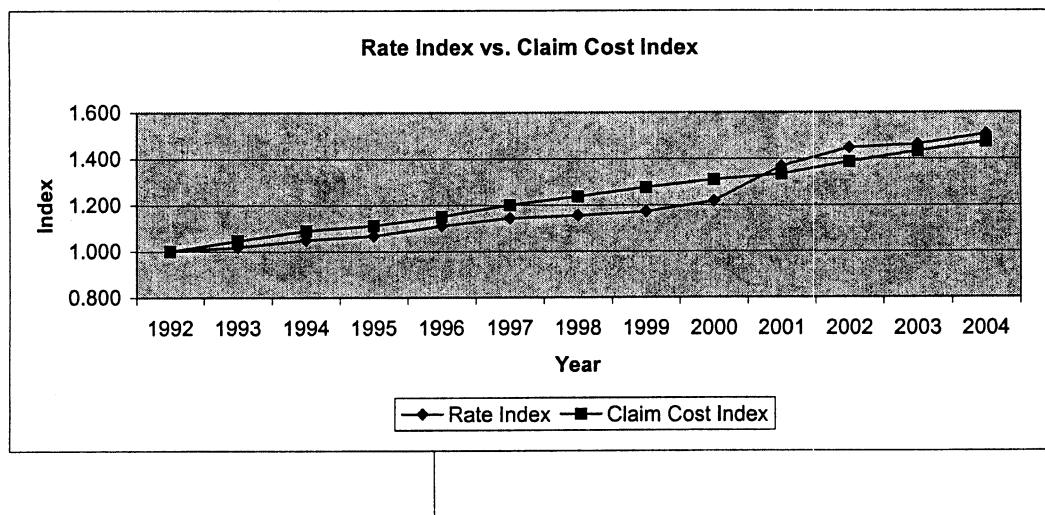
Year	Statewide Loss Ratio	Regional Loss Ratio	Countywide Loss Ratio
1992	43%	56%	77%
1993	56%	49%	61%
1994	69%	56%	64%
1995	93%	53%	60%
1996	91%	61%	62%
1997	264%	84%	59%
1998	47%	122%	69%
1999	109%	74%	69%
2000	-5%	69%	65%
2001	146%	78%	81%
2002	32%	53%	54%
2003	35%	69%	50%
2004	28%	45%	53%



# COMMERCIAL MULTI-PERIL PACKAGE

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

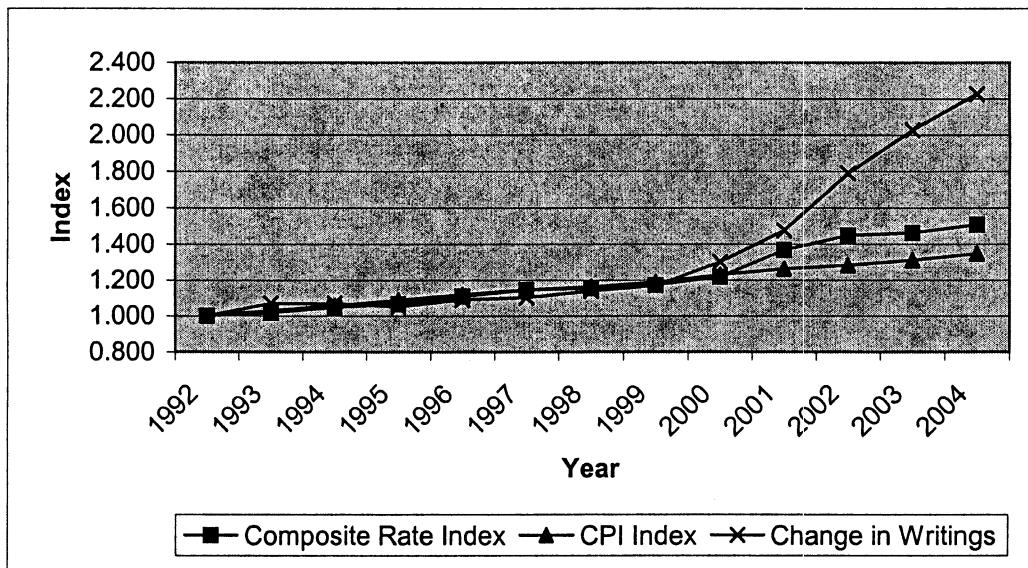
Year	Composite Rate Index	Relevant Claim Cost Index	Statewide 3 Yr LR Indexed to 1992
1992	1.000	1.000	1.000
1993	1.016	1.045	1.158
1994	1.048	1.088	1.318
1995	1.065	1.111	1.707
1996	1.109	1.150	1.980
1997	1.143	1.200	3.526
1998	1.153	1.236	3.124
1999	1.171	1.276	3.248
2000	1.217	1.309	1.155
2001	1.367	1.332	2.006
2002	1.446	1.386	1.375
2003	1.461	1.433	1.537
2004	1.506	1.473	0.741



# COMMERCIAL MULTI-PERIL PACKAGE

## EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide		Composite	Consumer
	Written Premium	Change in Writings		
1992	\$ 38,008		1.00	1.000
1993	\$ 40,609	6.8%	1.07	1.030
1994	\$ 40,622	0.0%	1.07	1.056
1995	\$ 39,849	-1.9%	1.05	1.086
1996	\$ 41,365	3.8%	1.09	1.118
1997	\$ 41,874	1.2%	1.10	1.144
1998	\$ 43,175	3.1%	1.14	1.162
1999	\$ 44,384	2.8%	1.17	1.187
2000	\$ 49,374	11.2%	1.30	1.227
2001	\$ 55,980	13.4%	1.47	1.262
2002	\$ 67,941	21.4%	1.79	1.282
2003	\$ 77,000	13.3%	2.03	1.311
2004	\$ 84,529	9.8%	2.22	1.346



## COMMERCIAL MULTI-PERIL PACKAGE

### EXHIBIT VI: FIELD MARKET SURVEY

	<u>Fewer</u> 42	17.9%	<u>Same</u> 160	68.4%	<u>More</u> 32	13.7%	<u>Total Responses</u> 234
<b>Available Markets</b>							
<b>Rate Changes</b>	<u>Increased</u> 158	69.0%	<u>Same</u> 63	27.5%	<u>Decreased</u> 8	3.5%	<u>Total Responses</u> 229
<b>UW Changes</b>	<u>More Strict</u> 109	47.4%	<u>Same</u> 102	44.3%	<u>Less Strict</u> 19	8.3%	<u>Total Responses</u> 230
<b>Finding Coverage</b>	<u>Always</u> 37	16.2%	<u>Occasionally</u> 165	72.1%	<u>Frequently</u> 27	11.8%	<u>Total Responses</u> 229

## **COMMERCIAL MULTI-PERIL PACKAGE**

### **EXHIBIT VII – RESIDUAL MARKET POPULATION**

**North Dakota does not have a residual market mechanism for commercial lines.**

## COMMERCIAL MULTI-PERIL PACKAGE

### **EXHIBIT VIII - MATRIX OF INDICATORS**

<b>Factor</b>	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )			XX
Market Share Analysis –Market Share Changes			XX
Market Share Analysis –Company Changes			XX
Market Share Analysis – Surplus (non-licensed)			XX
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes			XX
Change in Premium Writings	NA	NA	NA
Field Market Survey Results-October 2004	XX		
Residual Market Population			XX
Final ranking based upon all factors: High			

**Addendum 4****Narrative Summary – Farmowners**

The market analysis components found in the attached exhibits for farmowners are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

The 4-Firm Concentration ratio is the lowest it has been in fourteen years, while the 20-Firm ratio is the highest it's been in that time period. Based upon national guidelines, the Farmowners line appears to be concentrated and thus not competitive.

The index for North Dakota compared to countrywide, indicates the North Dakota market is significantly more concentrated than the countywide market. Some of this difference is due to the fact North Dakota is a relatively small volume market that is more easily dominated by a few larger companies and the fact there are significantly fewer active companies in this line of insurance compared to others.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

The top carriers have remained largely the same over the past six years.

The total market share of the top four carriers has hovered at approximately 70%. The total market share of the top 20 companies combined has consistently been over 99% of the market.

These statistics indicate that this market is not competitive.

**Exhibit II-B – Market Share Analysis –Company Changes**

The number of companies entering and leaving the top 20 is low. However there has been substantial movement among all companies within the top 20.

Highly competitive markets are associated with a high degree of movement and a low concentration of market share.

This information suggests that the level of competition is moderate.

**Exhibit II-C – Market Share Analysis – Surplus (non-licensed)**

The fact there is no business written in the surplus market suggests the market is competitive.

Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

Statewide loss ratios have fluctuated widely from a high of 129% in 1997, to a low of 39% in 2003. Regional and Countrywide loss ratios have also been volatile. The variation in data makes it difficult to draw any meaningful conclusions on this factor alone.

This information by itself is not an indicator of the competitive level of the market.

Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

Historically the changes in rates have followed closely with the national change in claims costs. However, they appear to be outpacing them in recent years while at the same time, loss ratios are declining.

The above information indicates that the Farmowners line is not a competitive market.

Exhibit V – Change in Premium Writings

The statewide premium volume has more than doubled the past thirteen years. The increase in premium volume appears to be explained by combined effects of rate changes and trends measured by the Consumer Price Index, and not an increase in exposures. In this analysis the combined effects of the rate change index and the CPI are directly comparable to the written premium index.

This information is by itself not an indicator of competitiveness but may illustrate the lack of growth in exposures (farms) within the state.

Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004.

Some notable factors from the survey: 28% of those responding indicate there are fewer markets (companies) available to them, 76% say that rates have risen, 51% indicate that underwriting has become more strict compared to past years, 82% are occasionally or frequently unable to find coverage for a client.

This information indicates that the trend in the market is towards less competition.

### Exhibit VII – Residual Market Population

There is no residual market mechanism for farmowners in North Dakota. Consumers who can not get insurance through the admitted market must either look for coverage in the surplus lines market, or go without.

The absence of the need for a residual market mechanism would normally be considered an indicator of a competitive market.

### Exhibit VIII – Matrix of Indicators

The Herfindahl index, Market Share Changes, loss ratios versus rate change versus claims cost index, and the field survey results indicate a non-competitive market. The Market Share Company Changes, suggest that the market is moderately competitive. The lack of both a residual market mechanism and a surplus lines market suggest a competitive market.

### Final assessment

The evaluation of the market through the year 2004 indicates a non-competitive market. The information obtained through the October 2004 survey indicates a tightening of the market. In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index and loss ratio to rate change data as these are statistically sound indicators.

The trend is toward higher rates. The general condition of the market is felt to be non-competitive.

# FARM OWNERS

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Ratio	20-Firm Concentration Ratio	Herfindahl Index
1991	73.0%	98.8%	2007	18.8%	51.3%	200
1992	73.2%	99.0%	2020	19.7%	52.4%	211
1993	73.1%	99.5%	2026	19.3%	51.0%	200
1994	72.9%	99.3%	2005	17.7%	48.4%	182
1995	71.0%	99.2%	1915	17.5%	47.8%	177
1996	71.8%	99.5%	1950	17.4%	48.3%	178
1997	71.7%	99.3%	1957	17.3%	48.1%	175
1998	71.8%	99.3%	1937	17.2%	49.3%	179
1999	71.0%	99.5%	1871	16.7%	49.3%	175
2000	69.4%	99.5%	1820	16.1%	47.3%	163
2001	69.3%	99.5%	1772	18.7%	49.5%	185
2002	70.3%	99.6%	1823	18.4%	50.4%	190
2003	68.3%	99.7%	1728	20.5%	52.1%	205
2004	68.1%	99.7%	1713	(1728)	20.6%	207
						(283)

### Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index <2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
Post-merger market Herfindahl index  
> 1,800 - highly concentrated  
1,000 < Herfindahl index < 1,800 - moderately concentrated  
< 1,000 - unconcentrated

A change in data availability resulted in the department's computing the Herfindahl Indices in parenthesis using marketshares at the group level (i.e. marketshares of sister companies are combined).

FAIR SWNERS

## **EXHIBIT II-A: NORTH DAKOTA MARKET SHARE REPORT**

Market Share by Company (in billions)									
Year:		2002		2003		2004		2005	
Company		Direct WP (in '000s)	Market Share						
Nodak Mut Ins Co	Farmers Union Mut Ins Co	\$ 14,702	29.8%	\$ 12,059	29.8%	\$ 10,806	29.7%	\$ 10,139	30.4%
American Family Mut Ins Co	North Star Mut Ins Co	\$ 12,545	24.5%	\$ 11,174	24.5%	\$ 9,525	26.2%	\$ 9,047	27.1%
Center Mut Ins Co	State Farm Fire And Cas Co	\$ 3,477	7.1%	\$ 3,299	7.4%	\$ 2,517	6.9%	\$ 2,211	6.6%
North Star Mut Ins Co	State Farm Fire And Cas Co	\$ 3,349	6.8%	\$ 2,902	6.5%	\$ 2,359	6.5%	\$ 1,802	5.4%
Farmers Alliance Mut Ins Co	Auto-Owners Ins Co	\$ 3,050	6.2%	\$ 2,807	6.3%	\$ 2,220	6.1%	\$ 1,643	4.9%
Center Mut Ins Co	Great American Ins Co	\$ 2,882	5.8%	\$ 2,745	6.1%	\$ 2,086	5.7%	\$ 1,417	4.2%
State Farm Fire And Cas Co	Travelers Ind Co Of Amer	\$ 2,800	5.7%	\$ 2,280	5.1%	\$ 1,886	5.1%	\$ 1,417	4.2%
Meridian Citizens Mut Ins Co	Millbank Ins Co	\$ 1,207	2.4%	\$ 883	2.4%	\$ 883	2.4%	\$ 883	2.4%
Nationwide Mut Ins Co	Northwest Gf Mut Ins Co	\$ 1,170	2.4%	\$ 1,089	2.4%	\$ 927	2.1%	\$ 926	1.8%
Millbank Ins Co	Firemans Fund Ins Co	\$ 1,017	2.1%	\$ 926	2.1%	\$ 927	2.0%	\$ 926	0.8%
Firemans Fund Ins Co	Nationwide Mut Ins Co	\$ 972	2.0%	\$ 822	1.8%	\$ 945	1.9%	\$ 359	0.8%
Northwest Gf Mut Ins Co	American Economy Ins Co	\$ 945	1.9%	\$ 822	1.8%	\$ 822	1.9%	\$ 307	0.7%
Auto-Owners Ins Co	Auto-Owners Ins Co	\$ 326	0.7%	\$ 307	0.7%	\$ 307	0.7%	\$ 250	0.6%
American Economy Ins Co	National Survey Corp	\$ 292	0.6%	\$ 207	0.5%	\$ 191	0.4%	\$ 191	0.4%
National Survey Corp	American States Ins Co	\$ 287	0.6%	\$ 191	0.4%	\$ 157	0.4%	\$ 147	0.3%
American States Ins Co	American Ins Co	\$ 239	0.5%	\$ 191	0.4%	\$ 147	0.3%	\$ 99	0.2%
American Ins Co	Charter Oak Fire Ins Co	\$ 197	0.4%	\$ 147	0.3%	\$ 147	0.3%	\$ 99	0.2%
Great American Assur Co	Great American Ins Co	\$ 87	0.2%	\$ 99	0.2%	\$ 71	0.2%	\$ 76	0.2%
Charter Oak Fire Ins Co	Travelers Ind Co Of Amer	\$ 87	0.2%	\$ 71	0.2%	\$ 41	0.1%	\$ 53	0.1%
Travelers Ind Co Of Amer		\$ 33	0.1%	\$ 33	0.1%	\$ 33	0.1%	\$ 33	0.1%
Year:		2006		2007		2008		2009	
Company		Direct WP (in '000s)	Market Share						
Nodak Mut Ins Co	Farmers Union Mut Ins Co	\$ 12,059	29.8%	\$ 11,174	24.9%	\$ 10,806	29.6%	\$ 10,139	30.5%
American Family Mut Ins Co	North Star Mut Ins Co	\$ 11,174	24.5%	\$ 10,806	29.6%	\$ 9,525	26.2%	\$ 9,047	27.1%
North Star Mut Ins Co	State Farm Fire And Cas Co	\$ 3,299	7.4%	\$ 3,299	7.4%	\$ 2,902	6.5%	\$ 2,745	6.1%
Farmers Alliance Mut Ins Co	Auto-Owners Ins Co	\$ 2,902	6.5%	\$ 2,902	6.5%	\$ 2,807	6.3%	\$ 2,745	6.1%
State Farm Fire And Cas Co	Great American Ins Co	\$ 2,807	6.3%	\$ 2,807	6.3%	\$ 2,745	6.1%	\$ 2,745	6.1%
Auto-Owners Ins Co	Center Mut Ins Co	\$ 2,745	6.1%	\$ 2,745	6.1%	\$ 2,280	5.1%	\$ 2,280	5.1%
Great American Ins Co	Millbank Ins Co	\$ 2,280	5.1%	\$ 2,280	5.1%	\$ 1,886	4.1%	\$ 1,886	4.1%
Center Mut Ins Co	Northwest Gf Mut Ins Co	\$ 1,886	4.1%	\$ 1,886	4.1%	\$ 1,417	3.7%	\$ 1,417	3.7%
Northwest Gf Mut Ins Co	Firemans Fund Ins Co	\$ 1,417	3.7%	\$ 1,417	3.7%	\$ 1,018	3.0%	\$ 1,018	3.0%
Firemans Fund Ins Co	OneBeacon America Ins Co	\$ 1,018	3.0%	\$ 1,018	3.0%	\$ 713	2.1%	\$ 713	2.1%
OneBeacon America Ins Co	American Economy Ins Co	\$ 713	2.1%	\$ 713	2.1%	\$ 701	2.1%	\$ 701	2.1%
American Economy Ins Co	Le Mars Mut Ins Co Of IA	\$ 701	1.7%	\$ 701	1.7%	\$ 580	1.7%	\$ 580	1.7%
Le Mars Mut Ins Co	National Survey Corp	\$ 580	1.7%	\$ 580	1.7%	\$ 421	1.3%	\$ 421	1.3%
National Survey Corp	American States Ins Co	\$ 421	1.3%	\$ 421	1.3%	\$ 312	0.9%	\$ 312	0.9%
American States Ins Co	Auto-Owners Ins Co	\$ 312	0.9%	\$ 312	0.9%	\$ 305	0.9%	\$ 305	0.9%
Auto-Owners Ins Co	OneBeacon America Ins Co	\$ 305	0.9%	\$ 305	0.9%	\$ 243	0.7%	\$ 243	0.7%
OneBeacon America Ins Co	National Survey Corp	\$ 243	0.7%	\$ 243	0.7%	\$ 136	0.4%	\$ 136	0.4%
National Survey Corp	Great American Ins Co Of NY	\$ 136	0.4%	\$ 136	0.4%	\$ 93	0.3%	\$ 93	0.3%
Great American Ins Co Of NY	American Ins Co	\$ 93	0.3%	\$ 93	0.3%	\$ 78	0.2%	\$ 78	0.2%
American Ins Co	Great American Ins Co Of NY	\$ 78	0.2%	\$ 78	0.2%	\$ 65	0.2%	\$ 65	0.2%
Great American Ins Co Of NY	Travelers Ind Co	\$ 65	0.2%	\$ 65	0.2%	\$ 54	0.2%	\$ 54	0.2%
Travelers Ind Co	OneBeacon Ins Co	\$ 54	0.2%	\$ 54	0.2%	\$ 57	0.2%	\$ 57	0.2%

## FARM OWNERS

### EXHIBIT IIB: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

Year	# of New Entries/Exits into Top 20 Carriers	Changes within Top 20 Carriers
1992	0	7
1993	1	8
1994	0	9
1995	1	8
1996	2	7
1997	1	9
1998	3	11
1999	2	8
2000	2	10
2001	2	15
2002	2	11
2003	2	5
2004	4	12

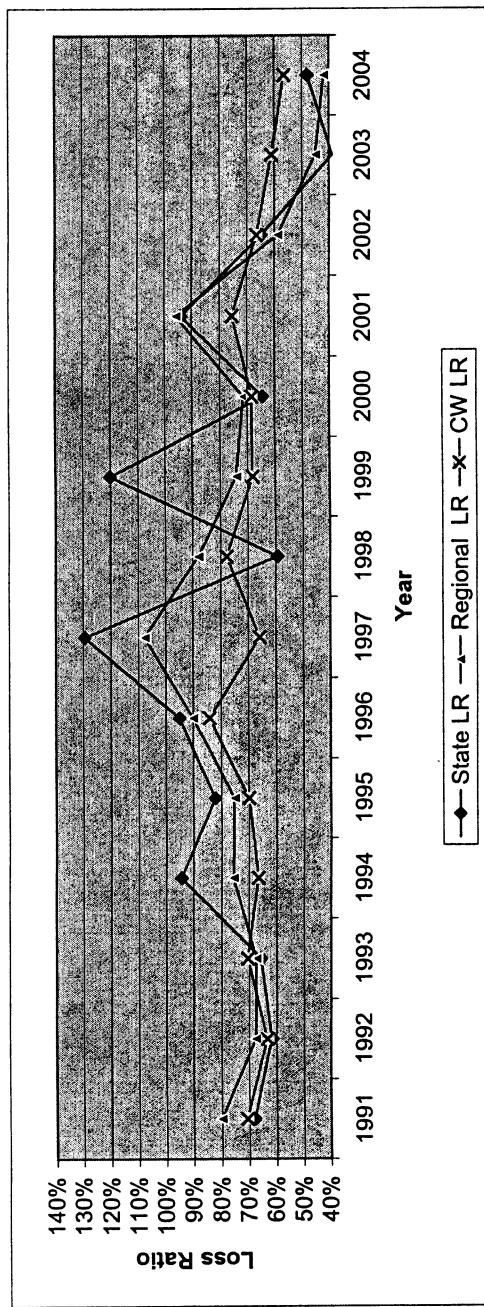
**EXHIBIT II.C: NORTH DAKOTA FARMOWNERS MARKET SHARE- SURPLUS (non-licensed)**

<u>YEAR:</u>	2004			2003			2002		
	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>
<b>1999</b>									
<u>YEAR:</u>	<b>2001</b>			<b>2000</b>			<b>1999</b>		
	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>
							Scottsdale Ins Co	\$ 0.61	
							Western Heritage Ins Co	\$ 0.45	
								\$ 1.06	
<b>1996</b>									
<u>YEAR:</u>	<b>1998</b>			<b>1997</b>			<b>1996</b>		
	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>	Direct Written Premium <u>Company</u>	(000s)	<u>Company</u>
							United Natl Ins Co	\$ 0.49	

# FARM OWNERS

## EXHIBIT III: HISTORICAL LOSS RATIOS

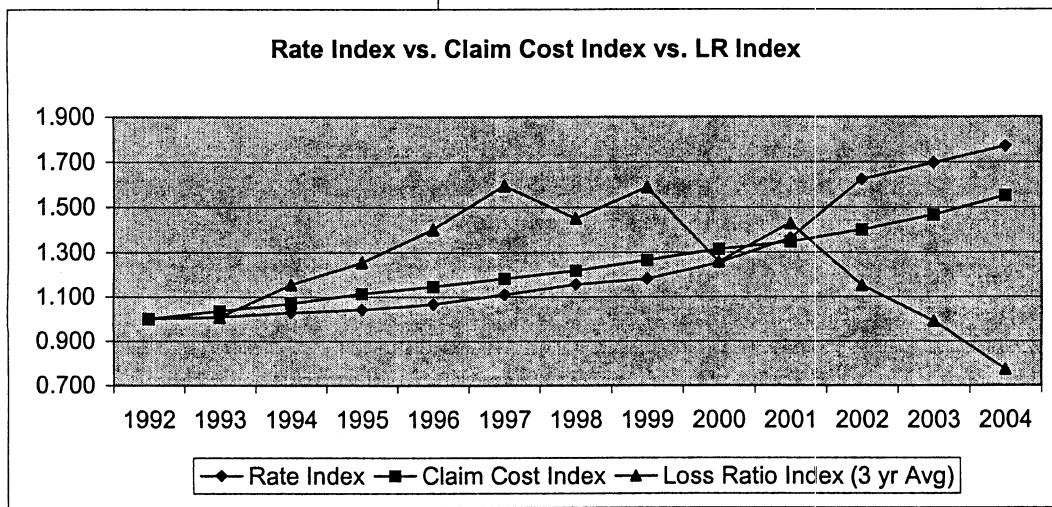
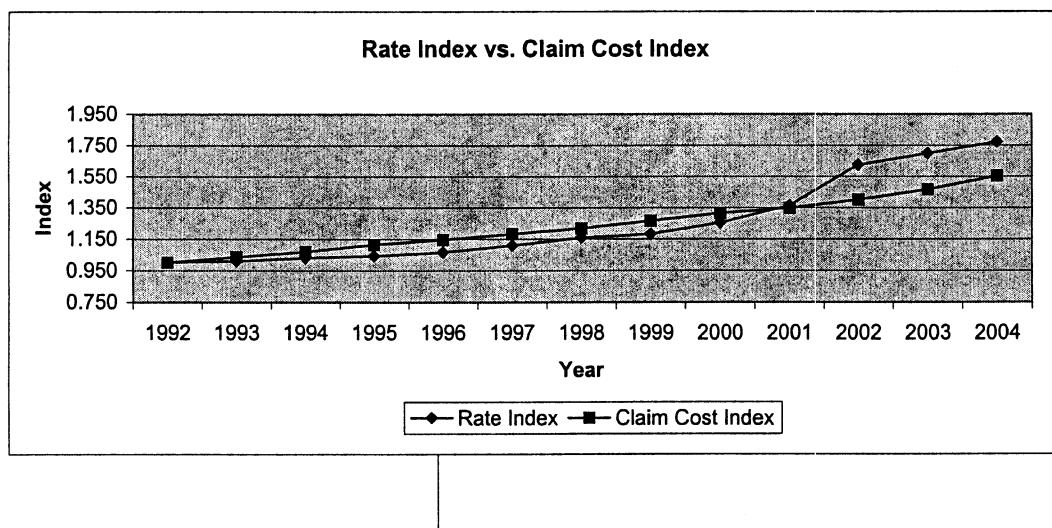
Year	Statewide Loss Ratio	Regional Loss Ratio	Countrywide Loss Ratio
1991	68%	80%	71%
1992	62%	67%	63%
1993	65%	67%	70%
1994	94%	76%	66%
1995	82%	75%	70%
1996	95%	90%	84%
1997	129%	108%	66%
1998	59%	88%	78%
1999	120%	74%	68%
2000	64%	71%	68%
2001	94%	96%	75%
2002	65%	59%	66%
2003	39%	45%	61%
2004	48%	42%	56%



# FARMOWNERS

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

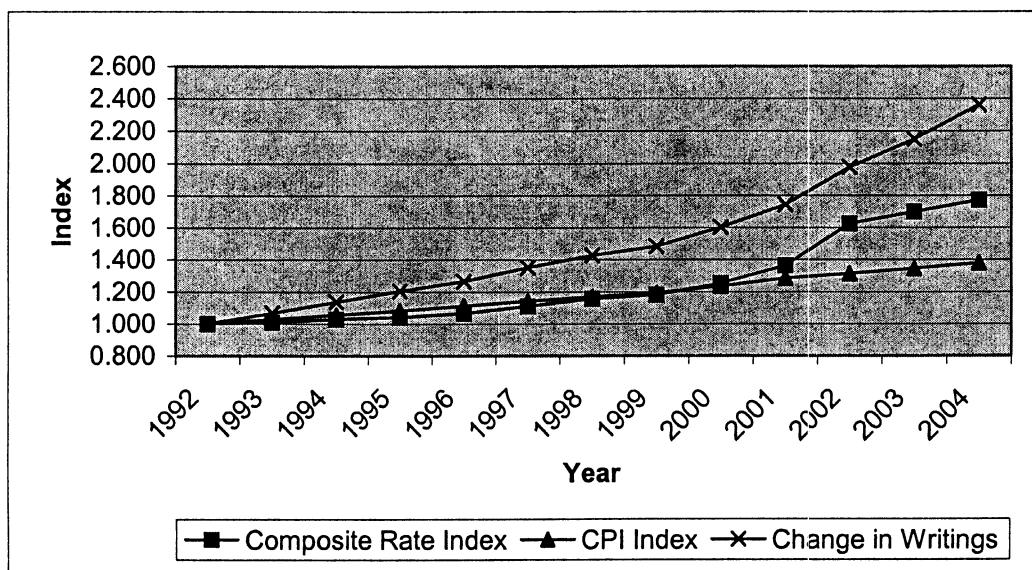
Year	Composite Rate Index	Relevant Claim Cost Index	Statewide	
			3 Yr LR Indexed to 1992	
1992	1.000	1.000	1.000	
1993	1.007	1.035	1.005	
1994	1.028	1.067	1.152	
1995	1.041	1.112	1.253	
1996	1.064	1.144	1.400	
1997	1.108	1.181	1.595	
1998	1.155	1.216	1.450	
1999	1.179	1.262	1.587	
2000	1.251	1.313	1.255	
2001	1.362	1.346	1.428	
2002	1.622	1.400	1.150	
2003	1.696	1.465	0.990	
2004	1.770	1.552	0.773	



# FARMOWNERS

## EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide			Composite Rate Index	Consumer Price Index		
	Written Premium Change in Indexed Writings		to 1992				
	(000s)						
1991	\$ 19,772						
1992	\$ 20,885	5.6%	1.00	1.000	1.000		
1993	\$ 22,267	6.6%	1.07	1.007	1.027		
1994	\$ 23,692	6.4%	1.13	1.028	1.053		
1995	\$ 25,142	6.1%	1.20	1.041	1.080		
1996	\$ 26,406	5.0%	1.26	1.064	1.111		
1997	\$ 28,203	6.8%	1.35	1.108	1.140		
1998	\$ 29,770	5.6%	1.43	1.155	1.167		
1999	\$ 30,955	4.0%	1.48	1.179	1.192		
2000	\$ 33,405	7.9%	1.60	1.251	1.233		
2001	\$ 36,380	8.9%	1.74	1.362	1.283		
2002	\$ 41,250	13.4%	1.98	1.622	1.311		
2003	\$ 44,884	8.8%	2.15	1.696	1.344		
2004	\$ 49,296	9.8%	2.36	1.770	1.378		



# FARM OWNERS

## EXHIBIT VI: FIELD MARKET SURVEY

	<u>Fewer</u>	<u>Same</u>	<u>More</u>	<u>Total Responses</u>
Available Markets	30 27.8%	67 62.0%	11 10.2%	108
Rate Changes	<u>Increased</u> 81 76.4%	<u>Same</u> 25 23.6%	<u>Decreased</u> 0 0.0%	106
UW Changes	<u>More Strict</u> 55 51.4%	<u>Same</u> 48 44.9%	<u>Less Strict</u> 4 3.7%	107
Finding Coverage	<u>Always</u> 19 18.1%	<u>Occasionally Not</u> 80 76.2%	<u>Frequently Unable</u> 6 5.7%	105

## FARMOWNERS

### **EXHIBIT VII – RESIDUAL MARKET POPULATION**

**North Dakota does not have a residual market mechanism for Farmowners.**

## FARMOWNERS

### **EXHIBIT VIII - MATRIX OF INDICATORS**

<b>Factor</b>	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )	XX		
Market Share Analysis –Market Share Changes	XX		
Market Share Analysis –Company Changes		XX	
Market Share Analysis – Surplus (non-licensed)			XX
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes	XX		
Change in Premium Writings	NA	NA	NA
Field Market Survey Results-October 2004	XX		
Residual Market Population			XX
Final ranking based upon all factors: Low			

**Addendum 5****Narrative Summary – Homeowners**

The market analysis components found in the attached exhibits for homeowners are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

The historical concentration ratios and Herfindahl indices for North Dakota are below the national benchmarks, indicating a highly competitive market. However, it is noted that the concentration ratios and the indices have been gradually increasing.

The index for North Dakota compared to countrywide, indicates the North Dakota market is more concentrated than the countywide market. Some of this difference is due to the fact that North Dakota is a relatively small volume market that is more easily dominated by a few larger companies.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

With the exception of 2003, the top 4 carriers have been the same in each of the past 6 years. The combined market share of the top 4 carriers is gradually increasing, as is the total market share of the top 20 companies combined.

These observations suggest that the market is becoming less competitive.

**Exhibit II-B – Market Share Analysis –Company Changes**

The number of companies entering and leaving the top 20 is low. However, there was a fair amount of movement among all companies within the top 20.

Highly competitive markets are associated with a high degree of movement and a low concentration of market share. This exhibit suggests that the market is moderately competitive.

**Exhibit II-C-Market Share Analysis – Surplus (non-licensed)**

The total amount of business written in the surplus lines market for the Homeowner line is minimal. This low volume suggests the market is competitive.

**Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)**

Since peaking at 297% in 2001, the statewide loss ratio has dropped to low levels in 2002, 2003 and 2004. A similar drop can be seen in the regional and countrywide loss ratios.

This information by itself is not an indicator of the competitive level of the market.

#### Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

In recent years rates have been increasing at a faster pace than trends measured by the claim cost index, a sign that the market is becoming less competitive. With the exception of 2004, North Dakota loss ratios have been extremely high over the past several years. Even though rate increases are now outpacing changes in claim costs they still have not kept pace with historical loss ratios.

It is evident that the industry did not respond in a timely fashion to the deterioration in loss experience at the state level. The presumption could be made that competitive pressures kept companies from taking appropriate rate increases during this time. This exhibit indicates that the market has historically been highly competitive, but is moving towards a less competitive level.

#### Exhibit V – Change in Premium Writings

The statewide premium volume has increased 180% since 1992. However, the changes in premium volume when compared to both the composite rate index and the Consumer Price Index suggest that the change in volume is not based upon an increase in exposures. Rate changes and the CPI appear to account for the increase in volume.

This information is by itself not an indicator of competitiveness but would seem to reflect a lack of growth in exposures (properties) within the state.

#### Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004.

Some notable factors from the survey: 23% of those responding indicate there are fewer markets (companies) available to them, 81% say that rates have risen, 59% indicate that underwriting has become more strict compared to past years, 72% are occasionally or frequently unable to find coverage for a client.

This information indicates that the trend in the market is towards less competition.

#### Exhibit VII – Residual Market Population

There is currently no residual market mechanism for homeowners in North Dakota, which normally suggests a highly competitive market. This observation is tempered however by the fact statutory authority was granted to the commissioner to implement a placement facility should it be determined that there is a lack of availability in the marketplace.

### Exhibit VIII – Matrix of Indicators

The Herfindahl index, and the Surplus lines market analysis reflect a highly competitive market. Market share company changes analysis, the loss ratio to rate change comparison and the lack of a residual market, indicate a moderately competitive market. The market share analysis and field survey indicates that the market is becoming less competitive.

### Final assessment

The evaluation of the market through the year 2004 indicates a moderately competitive market. The information obtained through the October 2004 survey and the observations by the department indicate a hardening of the market. In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index and loss ratio to rate change data as these are statistically sound indicators. While the field survey results and department observations are less statistically viable, they are also considered in the final ranking.

While the trend is toward higher rates with less coverage, the general condition of the market is felt to be moderately competitive.

# HOME OWNERS

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index
1986	32.5%	73.9%	446	36.8%	62.9%	517
1987	34.6%	74.3%	478	38.3%	63.2%	568
1988	36.6%	75.5%	509	38.2%	63.1%	560
1989	38.1%	76.6%	544	38.7%	63.0%	575
1990	39.7%	78.0%	580	39.2%	63.8%	601
1991	41.8%	78.7%	594	35.6%	54.8%	522
1992	43.8%	80.9%	648	38.8%	55.7%	653
1993	44.7%	81.0%	656	39.5%	56.4%	669
1994	45.7%	81.3%	671	36.7%	56.1%	582
1995	46.0%	81.0%	672	36.0%	55.0%	556
1996	45.9%	80.0%	671	35.9%	55.5%	549
1997	45.7%	80.7%	681	33.0%	54.6%	450
1998	45.4%	82.2%	688	32.6%	54.8%	435
1999	46.3%	83.6%	732	30.9%	54.3%	392
2000	46.1%	85.3%	732	29.8%	53.2%	364
2001	47.6%	86.3%	774	29.5%	53.0%	367
2002	50.1%	88.9%	855	29.3%	52.6%	362
2003	51.2%	91.6%	925	28.5%	52.4%	366
2004	51.8%	91.5%	927	(981)	27.7%	365 (792)

Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index <2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
Post-merger market Herfindahl index  
> 1,800 - highly concentrated  
1,000 < Herfindahl index < 1,800 - moderately concentrated  
< 1,000 - unconcentrated

A change in data availability resulted in the department's computing the Herfindahl Indices in parenthesis using marketshares at the group level (i.e. marketshares of sister companies are combined).

HOME OWNERS

**EXHIBIT IIA: NORTH DAKOTA MARKET SHARE REPORT**

## HOMEOWNERS

### EXHIBIT IIB: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

Year into Top 20 Carriers	# of New Entries/Exits	Changes within Top 20 Carriers
1987	3	7
1988	1	11
1989	1	9
1990	1	13
1991	1	12
1992	3	11
1993	2	8
1994	1	7
1995	0	8
1996	2	11
1997	1	8
1998	2	10
1999	1	4
2000	2	10
2001	1	6
2002	2	13
2003	2	12
2004	1	14

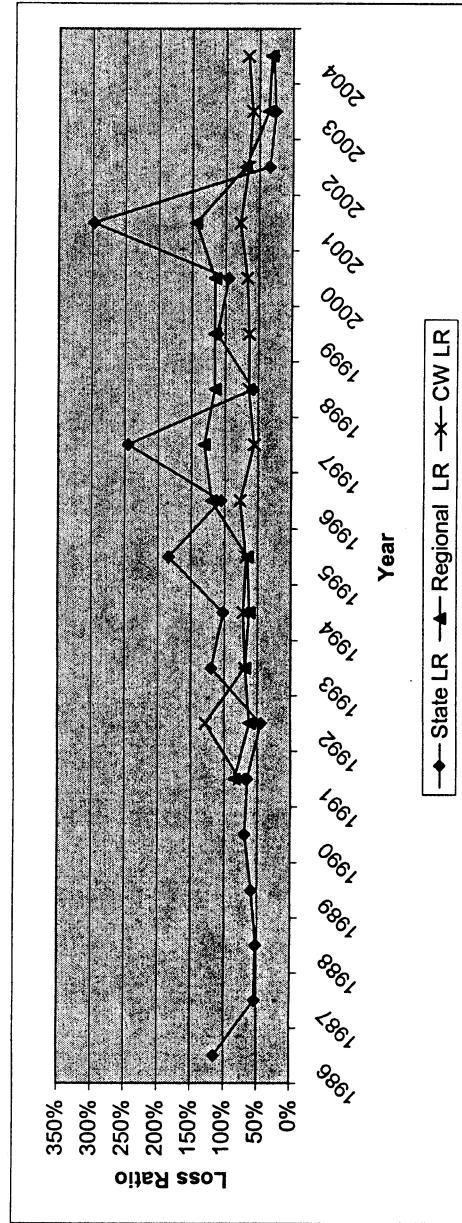
**EXHIBIT II-C: NORTH DAKOTA HOMEOWNERS MARKET SHARE- SURPLUS (non-licensed)**

YEAR:	2004	2003	2002
Company	Direct Written Premium <u>(000s)</u> 0.00	Direct Written Premium <u>(000s)</u> 1.13 0.86	Direct Written Premium <u>(000s)</u> 4.00 0.74
2001			
Company	Prime Insurance Syndic Evanston Ins Co	Company Chubb Custom Ins Co	Company Chubb Custom Ins Co
	\$ 1.99	\$ 1.99	\$ 4.74
2000			
Company	Scottsdale Ins Co Chubb Custom Ins Co	Company Chubb Custom Ins Co	Company Chubb Custom Ins Co
	\$ 8.23 0.39	\$ 1.23 0.84	\$ 2.49 0.62
	\$ 8.62	\$ 2.07	\$ 3.11
1998			
Company	Lexington Ins Co Acceptance Ind Ins Co	Company Acceptance Ind Ins Co	Company Chubb Custom Ins Co
	\$ 2.68 0.62	\$ 2.50 0.66	\$ 2.14 1.25
	\$ 3.29	\$ 3.16	\$ 3.39
1997			
Company	Scottsdale Ins Co Chubb Custom Ins Co	Company Chubb Custom Ins Co	Company Chubb Custom Ins Co
	\$ 8.62	\$ 2.07	\$ 3.11
1996			
Company	Scottsdale Ins Co Chubb Custom Ins Co	Company Chubb Custom Ins Co	Company Chubb Custom Ins Co
	\$ 8.62	\$ 2.07	\$ 3.11
1999			
Company	Scottsdale Ins Co Chubb Custom Ins Co	Company Chubb Custom Ins Co	Company Chubb Custom Ins Co
	\$ 8.62	\$ 2.07	\$ 3.11

# HOMEOWNERS

## EXHIBIT III: HISTORICAL LOSS RATIOS

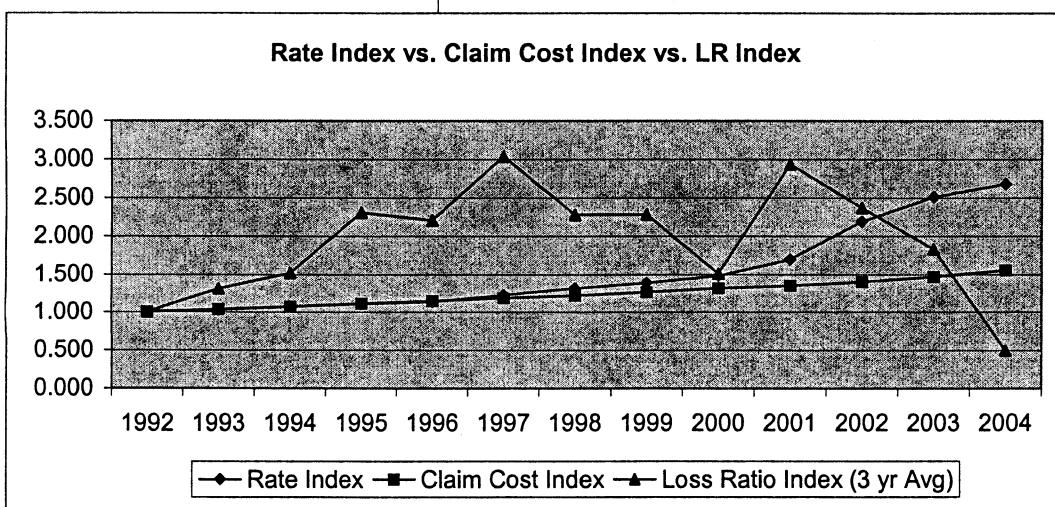
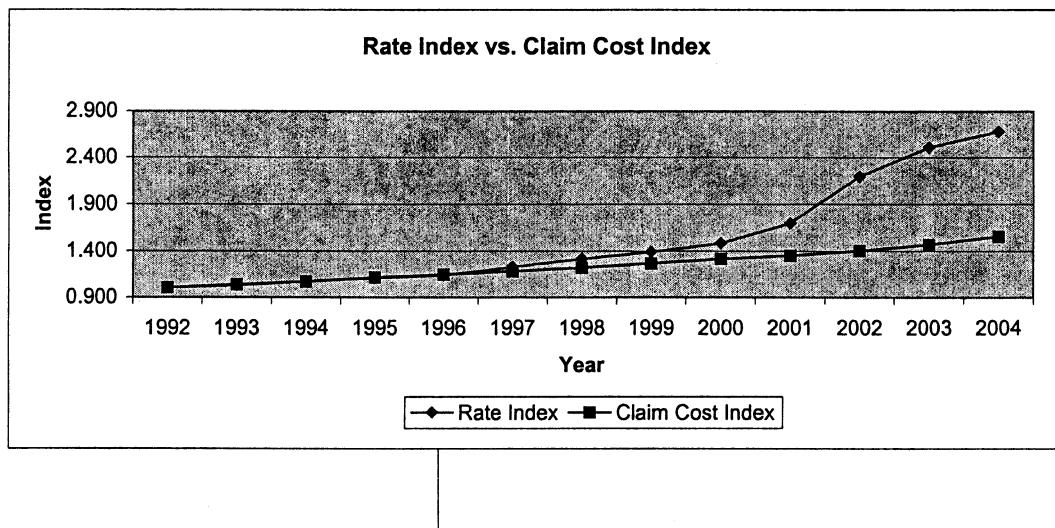
Year	Statewide Loss Ratio	Regional Loss Ratio	Countrywide Loss Ratio
1986	114%		
1987	53%		
1988	51%		
1989	59%		
1990	68%		
1991	65%	84%	76%
1992	44%	62%	128%
1993	119%	68%	68%
1994	101%	62%	71%
1995	183%	65%	67%
1996	105%	119%	76%
1997	244%	130%	56%
1998	57%	115%	64%
1999	111%	116%	64%
2000	94%	115%	66%
2001	297%	144%	77%
2002	34%	70%	66%
2003	25%	36%	59%
2004	28%	32%	66%



# HOMEOWNERS

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

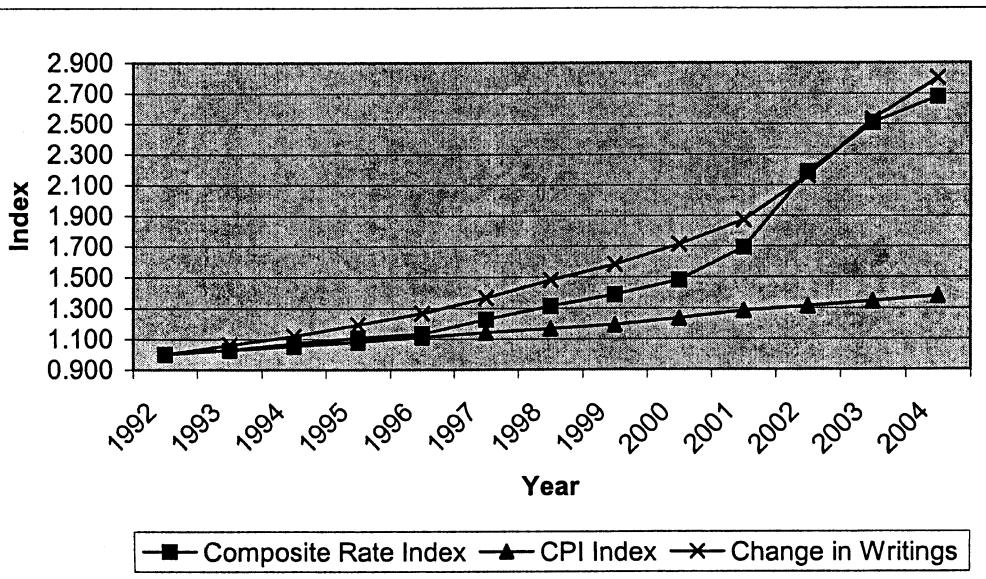
Year	Composite Rate Index	Relevant Claim Cost Index	Statewide 3 Yr LR Indexed to 1992
1992	1.000	1.000	1.000
1993	1.026	1.035	1.310
1994	1.071	1.067	1.517
1995	1.107	1.112	2.305
1996	1.133	1.144	2.204
1997	1.225	1.181	3.036
1998	1.312	1.216	2.276
1999	1.386	1.262	2.280
2000	1.479	1.313	1.505
2001	1.692	1.346	2.934
2002	2.187	1.400	2.365
2003	2.506	1.465	1.830
2004	2.678	1.552	0.494



# HOMEOWNERS

## EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide			Composit Rate Index	Consumer Price Index
	Written Premium (000s)	Change in Writings	Indexed to 1992		
1986	\$ 30,099				
1987	\$ 31,995	6.3%			
1988	\$ 31,952	-0.1%			
1989	\$ 31,601	-1.1%			
1990	\$ 32,144	1.7%			
1991	\$ 32,835	2.1%			
1992	\$ 35,671	8.6%	1.00	1.000	1.000
1993	\$ 37,832	6.1%	1.06	1.026	1.027
1994	\$ 39,855	5.3%	1.12	1.071	1.053
1995	\$ 42,533	6.7%	1.19	1.107	1.080
1996	\$ 45,120	6.1%	1.26	1.133	1.111
1997	\$ 48,708	8.0%	1.37	1.225	1.140
1998	\$ 52,757	8.3%	1.48	1.312	1.167
1999	\$ 56,343	6.8%	1.58	1.386	1.192
2000	\$ 61,054	8.4%	1.71	1.479	1.233
2001	\$ 66,656	9.2%	1.87	1.692	1.283
2002	\$ 77,094	15.7%	2.16	2.187	1.311
2003	\$ 90,229	17.0%	2.53	2.506	1.344
2004	\$ 99,890	10.7%	2.80	2.678	1.378



# HOME OWNERS

## EXHIBIT VI: FIELD MARKET SURVEY

	<u>Fewer</u>	<u>Same</u>	<u>More</u>	<u>Total Responses</u>
<b>Available Markets</b>	<u>30</u>	<u>22.7%</u>	<u>84</u>	<u>63.6%</u>
<b>Rate Changes</b>	<u>Increased</u> <u>105</u>	<u>80.8%</u>	<u>Same</u> <u>22</u>	<u>16.9%</u>
			<u>Decreased</u> <u>3</u>	<u>2.3%</u>
<b>UW Changes</b>	<u>More Strict</u> <u>76</u>	<u>59.4%</u>	<u>Same</u> <u>37</u>	<u>28.9%</u>
			<u>Less Strict</u> <u>15</u>	<u>11.7%</u>
<b>Finding Coverage</b>	<u>Always</u> <u>36</u>	<u>28.3%</u>	<u>Occasionally Not</u> <u>87</u>	<u>68.5%</u>
			<u>Frequently Unable</u> <u>4</u>	<u>3.1%</u>
				<u>Total Responses</u> <u>127</u>

## **HOMEOWNERS**

### **EXHIBIT VII – RESIDUAL MARKET POPULATION**

**North Dakota currently does not have a residual market mechanism for Homeowners insurance. During the 2003 legislative session, statutory authority was granted to the commissioner to implement a residual market placement facility, if after conducting a hearing it is determined that there is a lack of availability of property insurance for the homeowners market.**

## HOMEOWNERS

### EXHIBIT VIII - MATRIX OF INDICATORS

Factor	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )			XX
Market Share Analysis –Market Share Changes		XX	
Market Share Analysis –Company Changes			XX
Market Share Analysis – Surplus (non-licensed)			XX
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes		XX	
Change in Premium Writings	NA	NA	NA
Field Market Survey Results-October 2004	XX		
Residual Market Population		XX	
Final ranking based upon all factors:	Moderate		

**Addendum 6****Narrative Summary – Medical Malpractice**

The market analysis components found in the attached exhibits for medical malpractice are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

The historical concentration ratios and Herfindahl indices for North Dakota show that the market is highly concentrated indicating a low level of competition.

The index for North Dakota compared to countrywide, indicates the North Dakota market is more significantly concentrated than the countywide market.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

The ranking of the top 4 writers over the past six years has varied. The top 4 writer's combined market share has also varied significantly over the past six years. However the combined market share averages about 77%, which is considered high. The total market share of the top 20 companies combined has consistently been 98-99% of the market.

Based upon the high market share concentration of the top 4 writers it is concluded that the market is at a low level of competition.

It should be noted that the general category of Medical Malpractice includes a variety of different types of risks. Contracts can cover Physician and Surgeons, Hospital/Clinic Professional, Dentists, Chiropractors, Nurses and other Allied Healthcare providers. Most companies specialize in writing only certain risk categories. Not all companies write all classes of risk.

**Exhibit II-B – Market Share Analysis –Company Changes**

There are a fair number of companies entering and leaving the top 20. There has also been substantial movement among all companies within the top 20.

Highly competitive markets are associated with a high degree of movement and a low concentration of market share.

This information suggests that the market is moderately competitive.

Exhibit II-C – Market Share Analysis – Surplus (non-licensed)

In 2004, \$4.5 million of premium was written in the surplus lines market, which is the highest it has been in the last 9 years. The volume increased 56% over 2003. The \$4.5 million accounts for 26% of the total market. We note that Arch Specialty one of the top 4 writers in the state is a surplus lines writer. This information indicates the market is at a low competitive level.

Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

Over the past five years, statewide loss ratios appear to have become less volatile than in previous years. Interestingly, North Dakota medical malpractice experience has significantly out-performed countrywide experience for the past four years. This observation needs to be tempered by the fact that North Dakota results are based upon a low volume of business and therefore lack sufficient credibility to be relied on completely.

This information by itself is not an indicator of the competitive level of the market.

Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

Rate changes do not appear to have kept pace with trends reflected in the claim cost index. However, we note there are other rating tools, such as schedule and experience rating which could cause premiums to rise without a corresponding filed rate increase. Also, to the extent risks are being written in the surplus lines market or through Risk Retention Groups (whose rates are not formally approved here), those rate changes would not be captured in this exhibit.

It is difficult to compare the rate change index to the statewide loss ratio index because the statewide loss ratios have been so volatile.

The fact that our rates have not kept pace with the national change in claims costs may indicate the market is competitive however as indicated above there are several other factors than can affect the change in premium level making it difficult to give a firm assessment.

Exhibit V – Change in Premium Writings

The statewide premium volume for 2002 was 39% higher than the benchmark year of 1992. The volume had increased significantly in the early 1990's. As indicated in Exhibit IV summary there are factors other than a change in the filed rate that may have contributed to the increase in premium volume.

This information by itself is not an indicator of the competitive level of the market.

### Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004.

Some notable factors from the survey: 27% of those responding indicate there are fewer markets (companies) available to them (as compared to 51% in the 2003 survey). 54% say that rates have risen, 52% indicate that underwriting has become more strict compared to past years and 92% are occasionally or frequently unable to find coverage for a client.

This information indicates that the trend in the market is towards less competition.

### Exhibit VII – Residual Market Population

There is no residual market mechanism for Medical Malpractice insurance in North Dakota. Consumers who can not obtain insurance through the admitted market must either look for coverage in the surplus market, with a Risk Retention Group or go without.

The absence of the need for a residual market mechanism would normally be considered an indicator of a competitive market.

### Exhibit VIII – Matrix of Indicators

The Herfindahl index, the Market Share Changes, Market Surplus and field survey indicate the market is at a low competitive level. Market Share Company Changes and loss ratio vs. rate change exhibits reflect a moderately competitive market. The lack of a residual market suggests a highly competitive market.

### Final assessment

The evaluation of the market through the year 2004 indicates a low competitive market. The information obtained through the October 2004 survey and the observations by the department indicate a tightening of the market. In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index as this is a statistically sound indicator. The field survey results and department observations are also considered in the final ranking.

# MEDICAL PRACTICE

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index
1991	88.4%	99.4%	2542	22.0%	56.5%	244
1992	81.1%	99.2%	2282	24.5%	58.3%	276
1993	79.1%	99.2%	2163	24.0%	57.1%	263
1994	66.2%	99.0%	1434	22.2%	55.9%	235
1995	65.6%	98.4%	1363	19.8%	54.5%	207
1996	68.9%	98.7%	1468	17.9%	54.1%	195
1997	58.8%	97.8%	1148	18.1%	52.9%	194
1998	61.7%	98.5%	1224	18.0%	54.3%	200
1999	77.1%	99.3%	2620	18.6%	53.2%	200
2000	65.2%	98.7%	1384	18.3%	51.0%	189
2001	75.6%	99.2%	1952	20.3%	54.2%	210
2002	81.8%	99.0%	3375	21.5%	55.6%	224
2003	82.7%	98.9%	2230	23.2%	55.9%	243
2004	79.9%	98.9%	2078	(2,094)	21.2%	(308)
					54.1%	218

### Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index <2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
Post-merger market Herfindahl index  
> 1,800 - highly concentrated  
1,000 < Herfindahl index < 1,800 - moderately concentrated  
< 1,000 - unconcentrated

A change in data availability resulted in the department's computing the Hefindahl Indices in parenthesis using marketshares at the group level (i.e. marketshares of sister companies are combined).

MEDICAL MALPRACTICE

**EXHIBIT II-A: NORTH DAKOTA MARKET SHARE REPORT**

# MEDICAL MALPRACTICE

## EXHIBIT II.B: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

Year into Top 20 Carriers	# of New Entries/Exits	Changes within Top 20 Carriers
1992	4	12
1993	1	15
1994	3	15
1995	3	13
1996	2	14
1997	5	13
1998	1	12
1999	4	14
2000	3	11
2001	5	17
2002	4	8
2003	6	9
2004	3	14

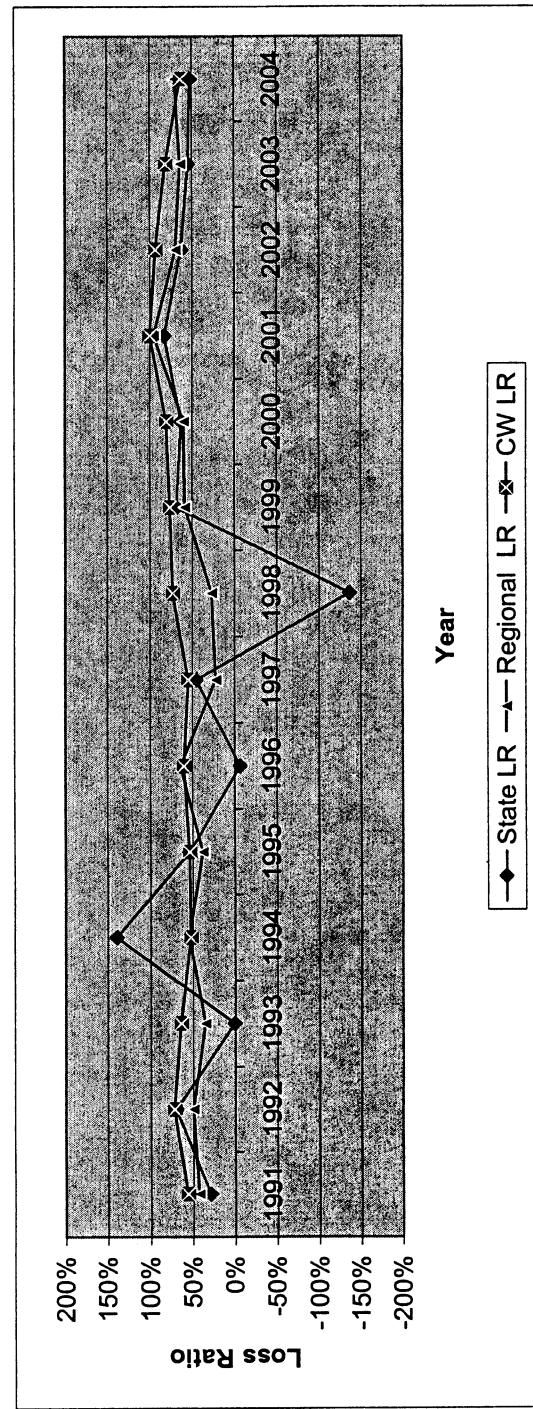
**EXHIBIT IIC: NORTH DAKOTA MEDICAL MALPRACTICE MARKET SHARE- SURPLUS (non-licensed)**

YEAR:	2004	YEAR:	2003	YEAR:	2002
Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)
Steadfast Ins Co	\$ 1,996.70	Arch Specialty Ins Co	\$ 1,563.65	Arch Specialty Ins Co	\$ 1,350.65
Arch Specialty Ins Co	\$ 616.37	Columbia Cas Co	\$ 508.79	Evanson Ins Co	\$ 281.80
Columbia Cas Co	\$ 226.17	Lexington Ins Co	\$ 280.78	TIG Specialty Ins Corp	\$ 219.84
Lexington Ins Co	\$ 70.50	Evanson Ins Co	\$ 194.81	Professional Undwrs Lab Ins Co	\$ 98.91
Oms Natl Ins Co Rrg	\$ 45.31	Admiral Ins Co	\$ 150.98	Lexington Ins Co	\$ 97.05
Evanston Ins Co	\$ 26.00	Oms Natl Ins Co Rrg	\$ 58.94	Interstate Fire & Cas Co	\$ 83.46
General Star Ind Co	\$ 13.00	Podiatry Ins Co Of Amer A Mut Co	\$ 56.17	Oms Natl Ins Co Rrg	\$ 56.49
Colon Ins Co	\$ 11.98	Steadfast Ins Co	\$ 42.90	Podiatry Ins Co Of Amer RRG Mut Co	\$ 44.63
Western World Ins Co	\$ 6.64	Westem World Ins Co	\$ 20.83	General Star Ind Co	\$ 22.42
Ophthalmic Mut Ins Co RRG	\$ 5.28	Professional Undwrs Lab Ins Co	\$ 15.25	American Assoc Of Orthodontists RRG	\$ 5.72
American Assoc Of Orthodontists RRG	\$ 0.25	American Assoc Of Orthodontists RRG	\$ 6.10	Western World Ins Co	\$ 2.70
Admiral Ins Co	\$ 0.10	Ophthalmic Mut Ins Co RRG	\$ 2.37	Ophthalmic Mut Ins Co RRG	\$ 2.18
Allied Professionals Ins Co RRG	\$ 4,538.01	TIG Specialty Ins Corp	\$ 1.41	Steadfast Ins Co	\$ 0.38
			\$ 2,902.34	Columbia Cas Co	\$ 0.19
					\$ 2,267.41
YEAR:	2001	YEAR:	2000	YEAR:	1999
Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)
Lexington Ins Co	\$ 1,435.08	Preferred Physicians Medical RRG	\$ 51.40	Preferred Physicians Medical RRG	\$ 73.82
Interstate Fire & Cas Co	\$ 81.16	Oms Natl Ins Co Rrg	\$ 37.09	Steadfast Ins Co	\$ 43.42
Evanston Ins Co	\$ 46.10	Evanston Ins Co	\$ 34.10	Oms Natl Ins Co Rrg	\$ 35.06
Oms Natl Ins Co Rrg	\$ 33.46	Podiatry Ins Co Of Amer RRG Mut Co	\$ 22.93	Podiatry Ins Co Of Amer RRG Mut Co	\$ 27.00
Professional Undwrs Lab Ins Co	\$ 30.50	Steadfast Ins Co	\$ 15.11	Evanston Ins Co	\$ 22.05
Admiral Ins Co	\$ 22.43	Admiral Ins Co	\$ 8.45	American Int Speciality Lines Ins Co	\$ 11.83
Executive Risk Specialty Ins Co	\$ 15.00	Executive Risk Specialty Ins Co	\$ 6.50	Executive Risk Specialty Ins Co	\$ 6.50
Steadfast Ins Co	\$ 4.96	American Assoc Of Orthodontists RRG	\$ 4.80	Reliance Ins Co Of IL	\$ 6.15
American Assoc Of Orthodontists RRG	\$ 4.54	Westem World Ins Co	\$ 0.83	American Assoc Of Orthodontists RRG	\$ 4.80
Western World Ins Co	\$ 0.98		\$ 181.26	Colony National Ins Co	\$ 2.93
Columbia Cas Co	\$ 0.04			Ophthalmic Mut Ins Co RRG	\$ 2.48
	\$ 1,681.70			TIG Specialty Ins Corp	\$ 0.11
					\$ 236.15
YEAR:	1998	YEAR:	1997	YEAR:	1996
Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)
Steadfast Ins Co	\$ 103.73	Preferred Physicians Medical RRG	\$ 88.98	Western Ind Ins Co	\$ 306.01
Preferred Physicians Medical RRG	\$ 61.27	Steadfast Ins Co	\$ 77.60	Preferred Physicians Medical RRG	\$ 70.42
American Int Speciality Lines Ins Co	\$ 30.96	Podiatry Ins Co Of Amer RRG Mut Co	\$ 26.96	Podiatry Ins Co Of Amer RRG Mut Co	\$ 28.64
Oms Natl Ins Co Rrg	\$ 30.26	Oms Natl Ins Co Rrg	\$ 24.74	Professional Undwrs Lab Ins Co	\$ 23.50
Podiatry Ins Co Of Amer RRG Mut Co	\$ 28.54	Columbia Cas Co	\$ 21.38	Century American Ins Co	\$ 15.78
Century American Ins Co	\$ 24.58	Century American Ins Co	\$ 21.25	Oms Natl Ins Co Rrg	\$ 12.02
Evanston Ins Co	\$ 17.75	Professional Undwrs Lab Ins Co	\$ 18.88	Evanston Ins Co	\$ 8.74
Western World Ins Co	\$ 7.88	Evanston Ins Co	\$ 14.46	Western World Ins Co	\$ 7.75
Colony National Ins Co	\$ 5.05	Western Ind Ins Co	\$ 8.83	Columbia Cas Co	\$ 7.50
American Assoc Of Orthodontists RRG	\$ 4.85	American Assoc Of Orthodontists RRG	\$ 4.45	American Assoc Of Orthodontists RRG	\$ 4.52
Reliance Ins Co Of IL	\$ 1.57	Colony National Ins Co	\$ 3.84		
Ophthalmic Mut Ins Co RRG	\$ 0.27	Western World Ins Co	\$ 0.97		
	\$ 316.70				\$ 310.33

## MEDICAL MALPRACTICE

### EXHIBIT III: HISTORICAL LOSS RATIOS

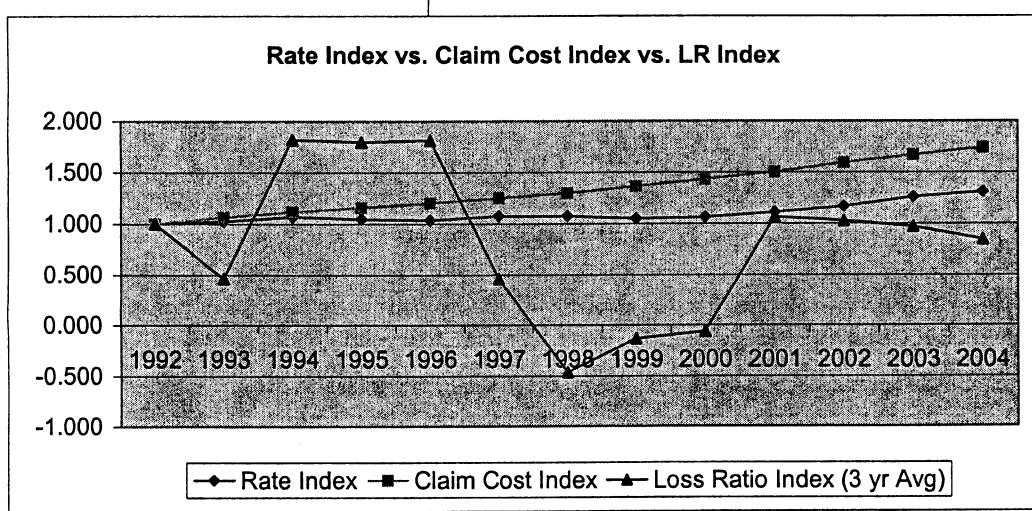
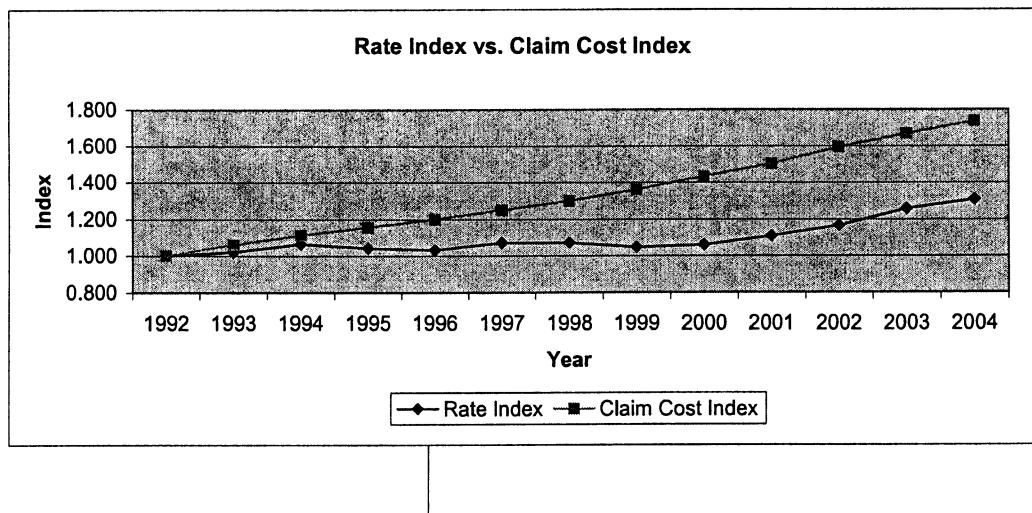
Year	Statewide Loss Ratio	Regional Loss Ratio	Countrywide Loss Ratio
1991	29%	43%	56%
1992	69%	49%	72%
1993	0%	35%	64%
1994	139%	54%	52%
1995	53%	38%	53%
1996	-7%	64%	60%
1997	45%	22%	54%
1998	-137%	27%	73%
1999	68%	58%	76%
2000	62%	59%	80%
2001	82%	95%	99%
2002	62%	69%	93%
2003	54%	63%	81%
2004	52%	70%	63%



# MEDICAL MALPRACTICE

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

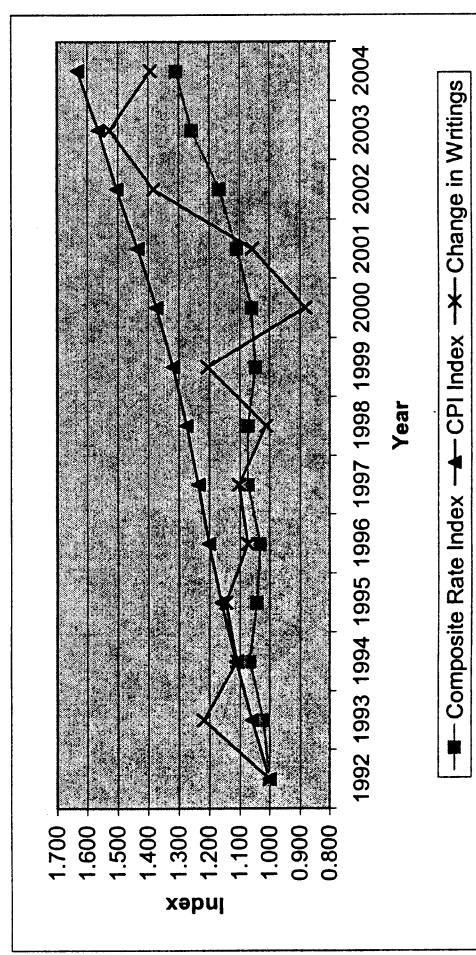
Year	Composite Rate Index	Relevant Claim Cost Index	Statewide 3 Yr LR Indexed to 1992
1992	1.000	1.000	1.000
1993	1.021	1.061	0.463
1994	1.065	1.112	1.816
1995	1.042	1.155	1.792
1996	1.031	1.200	1.808
1997	1.071	1.248	0.460
1998	1.071	1.298	-0.465
1999	1.047	1.361	-0.131
2000	1.059	1.431	-0.063
2001	1.108	1.500	1.063
2002	1.165	1.592	1.024
2003	1.256	1.666	0.966
2004	1.307	1.735	0.843



## MEDICAL PRACTICE

### EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide Written Premium (000s)	Change in Writings	Indexed to 1992	Composite Rate Index	Consumer Price Index
1991	\$ 12,974	-2.5%	1.00	1.000	1.000
1992	\$ 12,653	21.8%	1.22	1.021	1.059
1993	\$ 15,408	-9.1%	1.11	1.065	1.110
1994	\$ 14,012	3.2%	1.14	1.042	1.160
1995	\$ 14,465	-6.3%	1.07	1.031	1.200
1996	\$ 13,555	2.9%	1.10	1.071	1.234
1997	\$ 13,945	-8.2%	1.01	1.071	1.274
1998	\$ 12,795	19.0%	1.20	1.047	1.318
1999	\$ 15,224	-26.7%	0.88	1.059	1.372
2000	\$ 11,153	19.9%	1.06	1.108	1.435
2001	\$ 13,369	30.7%	1.38	1.165	1.502
2002	\$ 17,470	10.5%	1.53	1.256	1.563
2003	\$ 19,306	-8.8%	1.39	1.307	1.631
2004	\$ 17,605				



## MEDICAL MARKET PRACTICE

### EXHIBIT VI: FIELD MARKET SURVEY

<b>Available Markets</b>	<u>Fewer</u> 7	26.9%	<u>Same</u> 15	57.7%	<u>More</u> 4	15.4%	<u>Total Responses</u> 26	<u>No Response</u> 124      82.7%
<b>Rate Changes</b>	<u>Increased</u> 13	54.2%	<u>Same</u> 11	45.8%	<u>Decreased</u> 0	0.0%	<u>Total Responses</u> 24	<u>No Response</u> 126      84.0%
<b>UW Changes</b>	<u>More Strict</u> 12	52.2%	<u>Same</u> 11	47.8%	<u>Less Strict</u> 0	0.0%	<u>Total Responses</u> 23	<u>No Response</u> 127      84.7%
<b>Finding Coverage</b>	<u>Always</u> 2	8.3%	<u>Occasionally</u> <u>Not</u> 14	58.3%	<u>Frequently</u> <u>Unable</u> 8	33.3%	<u>Total Responses</u> 24	<u>No Response</u> 126      84.0%

## MEDICAL MALPRACTICE

### **EXHIBIT VII – RESIDUAL MARKET POPULATION**

**North Dakota does not have a residual market mechanism for Medical Malpractice.**

## MEDICAL MALPRACTICE

### EXHIBIT VIII - MATRIX OF INDICATORS

Factor	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )	XX		
Market Share Analysis –Market Share Changes	XX		
Market Share Analysis –Company Changes		XX	
Market Share Analysis – Surplus (non-licensed)	XX		
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes		XX	
Change in Premium Writings	NA	NA	NA
Field Market Survey Results-October 2004	XX		
Residual Market Population			XX

Final ranking based upon all factors: Low

**Addendum 7****Narrative Summary – Other Liability (professional liability,  
D&O, E&O, excess and umbrella)**

The market analysis components found in the attached exhibits for other liability are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

The historical concentration ratios and Herfindahl indices for North Dakota are very low relative to the national benchmarks. This indicates the market is not concentrated and is highly competitive.

The index for North Dakota compared to countrywide, indicates the North Dakota market is similar in concentration to the countywide market.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

The ranking of the top 4 writers over the past six years has changed considerably. The top 4 positions have held approximately from 14% to 20% of the market share over the past 6 years.

The total market share of the top 20 companies combined has ranged from between 44% to 51% of the market.

These statistics indicate that the market is very competitive.

It should be noted that the general category of Other Liability includes an extremely wide array of diverse contracts and risk exposures. Contracts can include Design Professional, Legal Malpractice, Non-profit D&O, For-profit D&O, umbrella and other General Liability etc. Further, some companies specialize in writing only certain risk categories. No single company writes all classes of risk.

**Exhibit II-B – Market Share Analysis –Company Changes**

The number of companies entering and leaving the top 20 has been moderate. There is considerable movement among all companies within the top 20.

Highly competitive markets are associated with a high degree of movement and a low concentration of market share.

This information suggests that the level of competition is high.

### Exhibit II-C – Market Share Analysis – Surplus (non-licensed)

The premium volume in the surplus market has fluctuated from year to year but appears to be gradually increasing. The surplus lines premium volume in 2004 represents 17% of the market. Due to data constraints the category of non-licensed entities includes risk retention groups (RRGs) which are generally not considered to be a part of the surplus lines market. In 2004, it appears that business written through RRGs amounted to \$1.3 million, or about 2% of the total premium volume for this line. The remaining 15% is written by true surplus lines carriers, and is not felt to be excessive considering it is based upon such a wide diversity of specialty product lines.

### Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

Statewide loss ratios have varied considerably from year to year but with the exception of 2003, have been consistently low compared to industry targets. Further the statewide loss ratios are lower than both regional and countrywide ratios. The consistently low loss ratios on a statewide basis may be interpreted to mean that the market is not competitive. There has not been sufficient competitive pressure to force rates into alignment with experience. This may also be a reflection of the diversity of products types included in this category.

### Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

The changes in rates have not kept pace with the national change in claims costs. North Dakota's favorable loss ratios support the lack of need for higher rates. Companies have not reduced rates in response to the favorable experience.

The fact that North Dakota rate changes have not kept pace with national claims costs would indicate the market is competitive. On the other hand, the lack of rate reductions, in light of the favorable statewide experience, would indicate a non-competitive market.

We cannot draw a definitive conclusion regarding the competitive level of the marketplace from this exhibit.

### Exhibit V – Change in Premium Writings

The statewide premium volume has varied considerably from year to year. The reason for this fluctuation is not known. The Consumer Price Index shows steady increases and would suggest that the basis for most premium computations would be increasing as well resulting in increasing premiums. This has not occurred.

This information is by itself not an indicator of the competitive level of the market.

#### Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004.

Some notable factors from the survey: 15% of those responding indicate there are fewer markets (companies) available to them, 57% say that rates have risen, 45% indicate that underwriting has become more strict compared to past years, 81% are occasionally or frequently unable to find coverage for a client.

This information indicates that the trend in the market is towards less competition.

#### Exhibit VII – Residual Market Population

There is no residual market mechanism for Other Liability lines in North Dakota. Consumers who can not obtain insurance through the admitted market must either look for coverage in the surplus market, with Risk Retention Groups or go without.

The absence of the need for a residual market mechanism would normally be considered an indicator of a competitive market.

#### Exhibit VIII – Matrix of Indicators

The Herfindahl index, Market Share Changes, and Market Share Company Changes results indicate a highly competitive market. The lack of a residual market and Market Share Surplus indicate a moderately competitive market. The field market survey results indicate low competition. No conclusion was made based on the loss ratios versus rate change versus claims cost index.

#### Final assessment

The evaluation of the market through the year 2004 indicates a moderately competitive market. The information obtained through the October 2004 survey and the observations by the department indicate a tightening of the market. In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index and loss ratio data. While the field survey results and department observations are less statistically viable, they are considered in the final ranking.

The determination on how to categorize the other liability line of insurance is difficult due to the diverse nature of coverages within this line. We note based on contacts with consumers that there are a number of specialty/niche business classes which have limited availability of coverage due to a lack of companies willing to write that type of business. In these cases the market is clearly non-competitive. Unfortunately due to data constraints we are unable to accurately analyze each of these classes within the broad category of Other Liability. Since this category is so broad, the assessment may not accurately reflect any one of the specialty classes. Our conclusion for the broad category is that the market is moderately competitive.

# OTHER LIABILITY

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index
1991	18.4%	51.0%	191	25.7%	48.1%	292
1992	27.9%	56.7%	333	26.5%	48.4%	304
1993	40.6%	64.3%	769	24.9%	45.9%	276
1994	25.7%	57.0%	318	24.1%	44.5%	251
1995	28.6%	56.3%	431	21.2%	43.1%	201
1996	17.3%	48.8%	180	20.5%	42.0%	183
1997	15.7%	50.1%	172	20.5%	42.1%	196
1998	20.3%	50.8%	233	19.9%	41.6%	181
1999	15.3%	46.8%	157	17.3%	40.2%	137
2000	13.7%	43.9%	142	18.0%	39.7%	145
2001	14.1%	44.9%	147	16.4%	40.5%	145
2002	12.8%	44.4%	142	19.3%	43.4%	163
2003	15.0%	44.9%	149	20.3%	44.6%	173
2004	20.1%	49.0%	206	(446)	17.7%	(663)
					43.2%	152

### Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index >2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
Post-merger market Herfindahl index  
> 1,800 - highly concentrated  
1,000 < Herfindahl index < 1,800 - moderately concentrated  
< 1,000 - unconcentrated

A change in data availability resulted in the department's computing the Herfindahl Indices in parenthesis using marketshares at the group level (i.e. marketshares of sister companies are combined).

#### OTHER LIABILITY

**EXHIBIT II A: NORTH DAKOTA MARKET SHARE REPORT**

## OTHER LIABILITY

### EXHIBIT IIB: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

Year	# of New Entries/Exits into Top 20 Carriers	Changes within Top 20 Carriers
1991	2	8
1992	5	13
1993	4	9
1994	3	11
1995	5	12
1996	4	14
1997	4	14
1998	4	15
1999	4	12
2000	3	12
2001	4	15
2002	6	13
2003	6	13
2004	4	9

## EXHIBIT IIC: NORTH DAKOTA OTHER LIABILITY MARKET SHARE- SURPLUS (non-licensed)

YEAR:	2004	2003	2002		
Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)
Lexington Ins Co	\$ 1,279.31	Lexington Ins Co	\$ 1,201.14	Steadfast Ins Co	\$ 1,179.94
Steadfast Ins Co	\$ 1,044.94	Attorneys Liab Protection Soc RRG	\$ 928.04	American Int'l Specialty Lines Ins Co	\$ 1,165.16
Attorneys Liab Protection Soc RRG	\$ 959.00	Steadfast Ins Co	\$ 784.23	United Natl Ins Co	\$ 783.39
Arch Specialty Ins Co	\$ 809.16	Columbia Cas Co	\$ 695.66	Attorneys Liab Protection Soc RRG	\$ 735.34
Mount Vernon Fire Ins Co	\$ 613.07	Gulf Underwriters Ins Co	\$ 675.71	Lexington Ins Co	\$ 650.20
Evanston Ins Co	\$ 565.01	Arch Specialty Ins Co	\$ 625.16	Evanston Ins Co	\$ 513.05
Scottsdale Ins Co	\$ 530.64	Scottsdale Ins Co	\$ 549.52	Mount Vernon Fire Ins Co	\$ 451.67
Nautilus Ins Co	\$ 514.70	United Natl Ins Co	\$ 512.49	Scottsdale Ins Co	\$ 443.01
Burlington Ins Co	\$ 478.06	Mount Vernon Fire Ins Co	\$ 459.41	Northfield Ins Co	\$ 298.25
Gulf Underwriters Ins Co	\$ 427.30	Evanston Ins Co	\$ 394.00	Houston Cas Co	\$ 292.02
Interstate Fire & Cas Co	\$ 355.19	Nautilus Ins Co	\$ 388.85	Nautilus Ins Co	\$ 269.15
Northfield Ins Co	\$ 277.15	Northfield Ins Co	\$ 343.84	Illinois Union Ins Co	\$ 268.10
First Specialty Ins Corp	\$ 265.01	Burlington Ins Co	\$ 322.46	General Star Ind Co	\$ 248.07
Columbia Cas Co	\$ 262.04	General Star Ind Co	\$ 315.98	Chubb Custom Ins Co	\$ 219.49
Namic Ins Co Inc	\$ 258.69	Houston Cas Co	\$ 263.42	Arch Specialty Ins Co	\$ 211.34
General Star Ind Co	\$ 206.30	First Specialty Ins Corp	\$ 246.77	Clarendon Amer Ins Co	\$ 181.56
United Natl Ins Co	\$ 205.55	American Int'l Specialty Lines Ins Co	\$ 236.46	Columbia Cas Co	\$ 151.67
Colony Ins Co	\$ 180.66	Capitol Specialty Ins Corp	\$ 226.25	Gulf Underwriters Ins Co	\$ 118.93
American Int'l Specialty Lines Ins Co	\$ 179.05	Chubb Custom Ins Co	\$ 169.88	North American Capacity Ins Co	\$ 113.32
St Paul Surplus Lines Ins Co	\$ 172.90	Acceptance Ind Ins Co	\$ 165.22	Colorado Western Ins Co	\$ 97.96
Allied World Assur Co US Inc	\$ 160.00	Landmark Amer Ins Co	\$ 137.21	Namic Ins Co Inc	\$ 93.35
Admiral Ins Co	\$ 159.46	Western Heritage Ins Co	\$ 136.79	Royal Surplus Lines Ins Co	\$ 89.88
Empire Ind Ins Co	\$ 136.51	Empire Ind Ins Co	\$ 135.76	First Specialty Ins Corp	\$ 78.68
Houston Cas Co	\$ 112.32	Colony Ins Co	\$ 134.95	St Paul Surplus Lines Ins Co	\$ 74.86
Union Ins Co Of Providence	\$ 103.04	Liberty Surplus Ins Corp	\$ 131.13	Burlington Ins Co	\$ 73.84
Century Surety Co	\$ 95.50	Colorado Western Ins Co	\$ 120.05	Union Ins Co Of Providence	\$ 64.62
Hermitage Ins Co	\$ 92.29	Clarendon Amer Ins Co	\$ 98.33	Hermitage Ins Co	\$ 64.40
AXIS Specialty Ins Co	\$ 91.20	Interstate Fire & Cas Co	\$ 97.32	Great American E&S Ins Co	\$ 63.62
Illinois Union Ins Co	\$ 86.67	Admiral Ins Co	\$ 97.27	Executive Risk Specialty Ins Co	\$ 56.23
Title Industry Assur Co RRG	\$ 79.38	Great American E&S Ins Co	\$ 90.44	Tudor Ins Co	\$ 51.09
Executive Risk Specialty Ins Co	\$ 74.42	James River Ins Co	\$ 76.88	Colony Ins Co	\$ 48.90
Tudor Ins Co	\$ 67.71	Everest Ind Ins Co	\$ 76.16	Title Industry Assur Co RRG	\$ 48.12
Chubb Custom Ins Co	\$ 65.85	Executive Risk Specialty Ins Co	\$ 72.38	Interstate Fire & Cas Co	\$ 46.82
Great American E&S Ins Co	\$ 64.86	Union Ins Co Of Providence	\$ 71.42	National Fire & Marine Ins Co	\$ 44.45
Acceptance Ind Ins Co	\$ 56.43	Title Industry Assur Co RRG	\$ 70.11	Essex Ins Co	\$ 43.47
Penn-Star Ins Co	\$ 55.67	Namic Ins Co Inc	\$ 69.23	Western Heritage Ins Co	\$ 43.23
NIC Ins Co	\$ 51.86	Hermitage Ins Co	\$ 60.38	NIC Ins Co	\$ 38.27
Western World Ins Co	\$ 49.91	Tudor Ins Co	\$ 59.71	Gemini Ins Co	\$ 35.39
Clarendon Amer Ins Co	\$ 47.94	St Paul Surplus Lines Ins Co	\$ 59.16	Admiral Ins Co	\$ 33.00
Alea North Amer Specialty Ins Co	\$ 42.24	Western World Ins Co	\$ 51.77	Western World Ins Co	\$ 30.37
Heritage Warranty Ins RRG Inc	\$ 41.14	NIC Ins Co	\$ 51.70	American Equity Ins Co	\$ 29.73
Steel Tank Ins Co RRG	\$ 40.24	Automotive Underwriters Ins Co Inc	\$ 46.26	Penn-Star Ins Co	\$ 28.19
MT Hawley Ins Co	\$ 35.40	Essex Ins Co	\$ 40.70	Western Natl Mut Ins Co	\$ 26.37
Princeton Excess & Surplus Lines Ins	\$ 35.00	American Safety RRG Inc	\$ 39.16	Acceptance Ind Ins Co	\$ 21.36
Essex Ins Co	\$ 31.61	National Fire & Marine Ins Co	\$ 38.19	AXIS Surplus Ins Co	\$ 17.00
American Safety RRG Inc	\$ 31.49	MT Hawley Ins Co	\$ 36.65	Liberty Surplus Ins Corp	\$ 16.98
Gemini Ins Co	\$ 31.24	Penn-Star Ins Co	\$ 36.35	General Security Ind Co of AZ	\$ 16.85
Maxum Ind Co	\$ 30.43	Century Surety Co	\$ 34.84	American Safety RRG Inc	\$ 16.74
Western Heritage Ins Co	\$ 28.82	Prime Insurance Syndicate Inc	\$ 34.82	Heritage Warranty Ins RRG Inc	\$ 15.88
American Safety Ind Co	\$ 26.46	Maxum Ind Co	\$ 30.70	Prime Insurance Syndicate Inc	\$ 13.53
Prime Insurance Syndicate Inc	\$ 24.92	Steel Tank Ins Co RRG	\$ 30.15	Automotive Underwriters Ins Co Inc	\$ 11.27
National Fire & Marine Ins Co	\$ 24.12	Gemini Ins Co	\$ 26.59	Colony Natl Ins Co	\$ 10.66
Liberty Surplus Ins Corp	\$ 21.13	Heritage Warranty Ins RRG Inc	\$ 24.45	United Educators Ins RRG Inc	\$ 10.63
St Charles Ins Co RRG	\$ 19.92	AXIS Surplus Ins Co	\$ 23.28	Specialty Surplus Ins Co	\$ 9.23
Automotive Underwriters Ins Co A RRG	\$ 19.07	St Charles Ins Co RRG	\$ 14.82	Empire Ind Ins Co	\$ 9.19
James River Ins Co	\$ 18.61	Western Pacific Mut Ins Co RRG	\$ 14.39	Capital Assur RRG Inc	\$ 7.44
Usf Ins Co	\$ 18.16	American Equity Ins Co	\$ 14.29	American Empire Surplus Lns Ins Co	\$ 7.32
North American Capacity Ins Co	\$ 17.86	United Educators Ins RRG Inc	\$ 13.56	MT Hawley Ins Co	\$ 6.66
Atlantic Cas Ins Co	\$ 17.53	Usf Ins Co	\$ 11.09	TIG Specialty Ins Corp	\$ 5.05
Hudson Specialty Ins Co	\$ 16.26	Royal Surplus Lines Ins Co	\$ 10.11	American Safety Ind Co	\$ 5.00
Capitol Specialty Ins Corp	\$ 15.29	Colonv Natl Ins Co	\$ 9.55	Maxum Ind Co	\$ 4.31
United Educators Ins RRG Inc	\$ 14.87	Capital Assur RRG Inc	\$ 7.73	Savers Prop & Cas Ins Co	\$ 3.91
First Mercury Ins Co	\$ 14.85	National Home Ins Co RRG	\$ 7.24	Cpa Mut Ins Co Of Amer RRG	\$ 2.87
Royal Surplus Lines Ins Co	\$ 14.33	TIG Specialty Ins Corp	\$ 7.03	General Agents Ins Co Of Amer Inc	\$ 2.82
Western Pacific Mut Ins Co RRG	\$ 14.31	Cpa Mut Ins Co Of Amer RRG	\$ 5.61	St Charles Ins Co RRG	\$ 1.35
Landmark Amer Ins Co	\$ 12.06	National Srv Contract Ins Co Rrg	\$ 4.72	Westchester Surplus Lines Ins Co	\$ 1.09
National Srv Contract Ins Co RRG	\$ 10.27	Savers Prop & Cas Ins Co	\$ 3.20	Landmark Amer Ins Co	\$ 0.94
Gotham Ins Co	\$ 10.01	American Safety Ind Co	\$ 3.00	National Home Ins Co RRG	\$ 0.38
National Home Ins Co RRG	\$ 9.37	Westchester Surplus Lines Ins Co	\$ 2.57	TIG Ins Co Of Mi	\$ 0.16
Cpa Mut Ins Co Of Amer RRG	\$ 9.16	North American Capacity Ins Co	\$ 2.50	Podiatry Ins Co Of Amer A Mut Co	\$ 0.14
Savers Prop & Cas Ins Co	\$ 7.84	Canal Ind Co	\$ 0.56	Residential Ins Co Inc RRG	\$ 0.08
Capital Assur RRG Inc	\$ 7.49	Monticello Ins Co	\$ 0.45	National Srv Contract Ins Co Rrg	\$ 0.05
Everest Ind Ins Co	\$ 3.75	Podiatry Ins Co Of Amer A Mut Co	\$ 0.14	Everest Ind Ins Co	\$ 0.00
Westchester Surplus Lines Ins Co	\$ 3.22	American Western Home Ins Co	\$ 0.12		\$ 9,817.39
Monticello Ins Co	\$ 2.66	TIG Ins Co Of Mi	\$ 0.05		
American Western Home Ins Co	\$ 1.20	General Security Ind Co of AZ	\$ 0.00		
K-M Ins Co	\$ 0.81				
Primeguard Ins Co Inc A RRG	\$ 0.26				
General Security Ind Co of AZ	\$ 0.00				
	\$ 11,958.11				

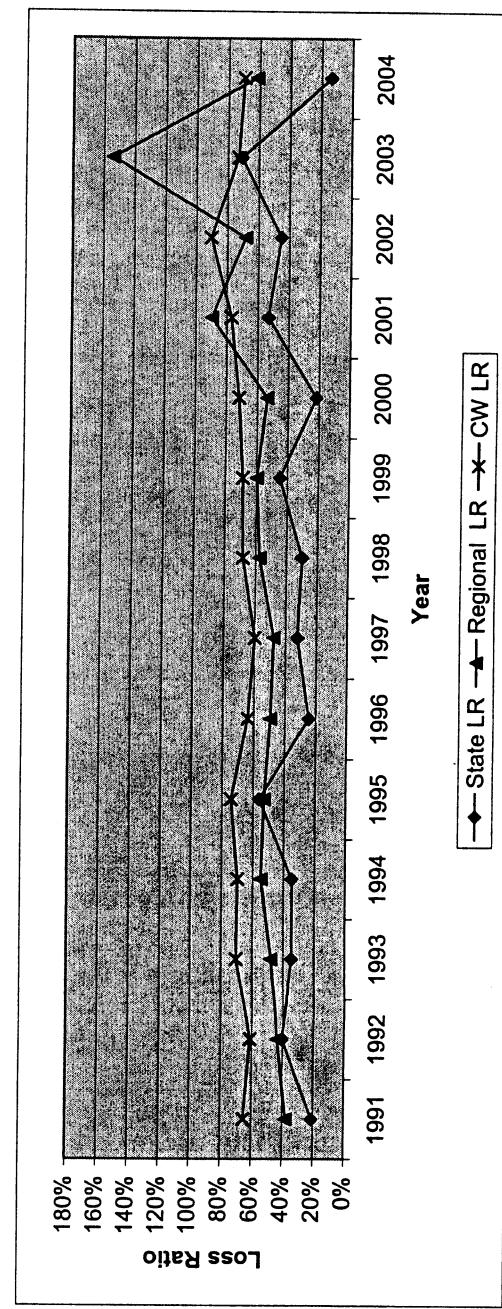
## EXHIBIT IIC: NORTH DAKOTA OTHER LIABILITY MARKET SHARE- SURPLUS (non-licensed)

YEAR:	2001	2000	1999		
Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)	Company	Direct Written Premium (000s)
Steadfast Ins Co	\$ 783.73	American Excess Ins Exchange RRG	\$ 1,144.00	American Excess Ins Exchange RRG	\$1,252.00
Attorneys Liab Protection Soc RRG	\$ 596.98	Attorneys Liab Protection Soc RRG	\$ 547.73	Attorneys Liab Protection Soc RRG	\$ 520.12
United Natl Ins Co	\$ 457.50	Lexington Ins Co	\$ 387.22	American Int'l Specialty Lines Ins Co	\$ 318.95
Scottsdale Ins Co	\$ 375.90	Scottsdale Ins Co	\$ 370.69	Scottsdale Ins Co	\$ 209.04
Lexington Ins Co	\$ 360.90	Columbia Cas Co	\$ 293.81	Premier Ins Exchange RRG	\$ 190.95
Evanston Ins Co	\$ 320.50	American Int'l Specialty Lines Ins Co	\$ 251.43	Lexington Ins Co	\$ 170.82
American Int'l Specialty Lines Ins Co	\$ 301.92	Steadfast Ins Co	\$ 238.32	Northfield Ins Co	\$ 132.48
Columbia Cas Co	\$ 286.20	Evanston Ins Co	\$ 195.47	Reliance Ins Co Of IL	\$ 118.82
Mount Vernon Fire Ins Co	\$ 192.54	Northfield Ins Co	\$ 178.95	Pacific Ins Co Ltd	\$ 112.09
General Star Ind Co	\$ 175.58	Pacific Ins Co Ltd	\$ 143.99	Gulf Underwriters Ins Co	\$ 101.57
Northfield Ins Co	\$ 171.09	United Natl Ins Co	\$ 133.03	United Natl Ins Co	\$ 100.88
Clarendon Amer Ins Co	\$ 126.45	General Star Ind Co	\$ 119.45	General Star Ind Co	\$ 93.00
Nautilus Ins Co	\$ 117.71	Mount Vernon Fire Ins Co	\$ 109.81	Mount Vernon Fire Ins Co	\$ 91.94
Gulf Underwriters Ins Co	\$ 113.93	Gulf Underwriters Ins Co	\$ 98.08	Namic Ins Co Inc	\$ 87.05
Colorado Western Ins Co	\$ 98.97	Colorado Western Ins Co	\$ 85.80	Evanston Ins Co	\$ 84.59
Namic Ins Co Inc	\$ 85.11	Namic Ins Co Inc	\$ 79.82	St Paul Surplus Lines Ins Co	\$ 76.20
Caliber One Ind Co	\$ 80.00	Allianz Underwriters Ins Co	\$ 70.49	Colorado Western Ins Co	\$ 56.50
Illinois Union Ins Co	\$ 69.90	Colony Ins Co	\$ 52.18	United Capitol Ins Co	\$ 54.70
Great American E&S Ins Co	\$ 60.49	Title Industry Assur Co RRG	\$ 48.18	Title Industry Assur Co RRG	\$ 49.10
Interstate Fire & Cas Co	\$ 49.97	Hermitage Ins Co	\$ 46.12	Monticello Ins Co	\$ 44.36
Title Industry Assur Co RRG	\$ 43.83	Great American E&S Ins Co	\$ 38.84	Hermitage Ins Co	\$ 42.02
Tudor Ins Co	\$ 38.73	North American Capacity Ins Co	\$ 35.79	Acceptance Ind Ins Co	\$ 39.19
Monticello Ins Co	\$ 37.90	Tudor Ins Co	\$ 34.59	Colony Ins Co	\$ 38.89
Colony Ins Co	\$ 31.99	Caliber One Ind Co	\$ 34.30	Caliber One Ind Co	\$ 31.00
American Equity Ins Co	\$ 31.43	Western Heritage Ins Co	\$ 29.45	Tudor Ins Co	\$ 29.84
Western Heritage Ins Co	\$ 30.49	Monticello Ins Co	\$ 29.03	Landmark Amer Ins Co	\$ 27.31
Hermitage Ins Co	\$ 27.63	Landmark Amer Ins Co	\$ 25.05	Executive Risk Specialty Ins Co	\$ 25.89
Admiral Ins Co	\$ 27.03	Union Ins Co Of Providence	\$ 24.37	Essex Ins Co	\$ 24.69
Executive Risk Specialty Ins Co	\$ 26.87	St Paul Surplus Lines Ins Co	\$ 23.30	TIG Ins Co Of MI	\$ 23.17
General Agents Ins Co Of Amer Inc	\$ 25.12	Legion Ind Co	\$ 23.28	Kemper Ind Ins Co	\$ 20.59
Chubb Custom Ins Co	\$ 23.21	Savers Prop & Cas Ins Co	\$ 22.51	Chubb Custom Ins Co	\$ 20.31
Essex Ins Co	\$ 23.03	Nautilus Ins Co	\$ 21.80	Western World Ins Co	\$ 16.77
American Safety RRG Inc	\$ 21.25	Essex Ins Co	\$ 21.31	Savers Prop & Cas Ins Co	\$ 16.12
First Specialty Ins Corp	\$ 18.43	Clarendon Amer Ins Co	\$ 19.36	Empire Ind Ins Co	\$ 15.57
Savers Prop & Cas Ins Co	\$ 16.03	Nutmeg Ins Co	\$ 18.18	Admiral Ins Co	\$ 15.00
Western World Ins Co	\$ 15.89	Western World Ins Co	\$ 16.99	Legion Ind Co	\$ 14.78
St Paul Surplus Lines Ins Co	\$ 15.85	Usf Ins Co	\$ 14.80	Colony National Ins Co	\$ 12.82
Union Ins Co Of Providence	\$ 15.58	Acceptance Ind Ins Co	\$ 14.33	National Fire & Marine Ins Co	\$ 12.36
Specialty Surplus Ins Co	\$ 15.48	General Agents Ins Co Of Amer Inc	\$ 13.59	Clarendon Amer Ins Co	\$ 11.01
National Fire & Marine Ins Co	\$ 15.27	Executive Risk Specialty Ins Co	\$ 13.47	Fidelity Excess & Surplus Ins Co	\$ 10.09
Legion Ind Co	\$ 14.44	Colony National Ins Co	\$ 13.31	Nautilus Ins Co	\$ 8.95
Cpa Mut Ins Co Of Amer RRG	\$ 13.04	National Fire & Marine Ins Co	\$ 9.76	Union Ins Co Of Providence	\$ 8.25
Connecticut Spfy Ins Co	\$ 12.80	Empire Ind Ins Co	\$ 9.40	Western Heritage Ins Co	\$ 6.65
Colony National Ins Co	\$ 12.33	United Educators Ins RRG Inc	\$ 8.19	Reciprocal Alliance RRG	\$ 6.12
Landmark Ins Co	\$ 9.78	Royal Surplus Lines Ins Co	\$ 7.50	United Educators Ins RRG Inc	\$ 5.00
United Educators Ins RRG Inc	\$ 9.70	Commercial Underwriters Ins Co	\$ 7.17	Commercial Cas Ins Co Of NC	\$ 4.65
Acceptance Ind Ins Co	\$ 9.42	Reciprocal Alliance RRG	\$ 6.72	General Agents Ins Co Of Amer Inc	\$ 4.59
Empire Ind Ins Co	\$ 9.28	Heritage Warranty Mut Ins RRG Inc	\$ 6.61	American Equity Ins Co	\$ 3.78
Heritage Warranty Mut Ins RRG Inc	\$ 8.98	TIG Specialty Ins Corp	\$ 6.30	Frontier Pacific Ins Co	\$ 3.41
Gemini Ins Co	\$ 7.50	Landmark Ins Co	\$ 5.96	TIG Specialty Ins Corp	\$ 3.36
Royal Surplus Lines Ins Co	\$ 6.90	Liberty Surplus Ins Corp	\$ 5.56	American Safety RRG Inc	\$ 2.91
Fidelity Excess & Surplus Ins Co	\$ 6.65	American Equity Ins Co	\$ 5.56	Cpa Mut Ins Co Of Amer RRG	\$ 2.78
Reciprocal Alliance RRG	\$ 6.20	Commercial Cas Ins Co Of NC	\$ 5.40	First Specialty Ins Corp	\$ 1.91
Nutmeg Ins Co	\$ 5.53	Interstate Fire & Cas Co	\$ 4.99	MT Hawley Ins Co	\$ 1.55
TIG Specialty Ins Corp	\$ 4.11	Cpa Mut Ins Co Of Amer RRG	\$ 4.73	Interstate Fire & Cas Co	\$ 1.08
Century Surety Co	\$ 3.50	MT Hawley Ins Co	\$ 3.27	Noetic Specialty Ins Co	\$ 0.79
Landmark Amer Ins Co	\$ 2.95	National Srvc Contract Ins Co Rrg	\$ 3.24	Podiatry Ins Co Of Amer RRG Mut Co	\$ 0.67
Penn-Star Ins Co	\$ 2.24	Frontier Pacific Ins Co	\$ 3.21	Heritage Warranty Mut Ins RRG Inc	\$ 0.47
Heritage Warranty Mut Ins RRG Inc	\$ 1.88	Kemper Ind Ins Co	\$ 3.20	National Home Ins Co RRG	\$ 0.42
MT Hawley Ins Co	\$ 1.88	American Safety RRG Inc	\$ 2.79	Residential Ins Co Inc RRG	\$ 0.31
Pacific Ins Co Ltd	\$ 1.82	Chubb Custom Ins Co	\$ 2.73		\$4,380.00
National Home Ins Co RRG	\$ 1.07	First Specialty Ins Corp	\$ 1.91		
Philadelphia In Co	\$ 0.91	United Capitol Ins Co	\$ 1.53		
National Srvc Contract Ins Co Rrg	\$ 0.75	Century Surety Co	\$ 1.25		
Automotive Underwriters Ins Co Inc	\$ 0.74	TIG Ins Co Of MI	\$ 0.88		
Burlington Ins Co	\$ 0.65	National Home Ins Co RRG	\$ 0.59		
Podiatry Ins Co Of Amer RRG Mut Co	\$ 0.12	Automotive Underwriters Ins Co Inc	\$ 0.30		
TIG Ins Co Of MI	\$ 0.02	Residential Ins Co Inc RRG	\$ 0.08		
	\$ 5,481.56	Podiatry Ins Co Of Amer RRG Mut Co	\$ 0.05		
			\$ 5,201.04		

## OTHER LIABILITY

### EXHIBIT III: HISTORICAL LOSS RATIOS

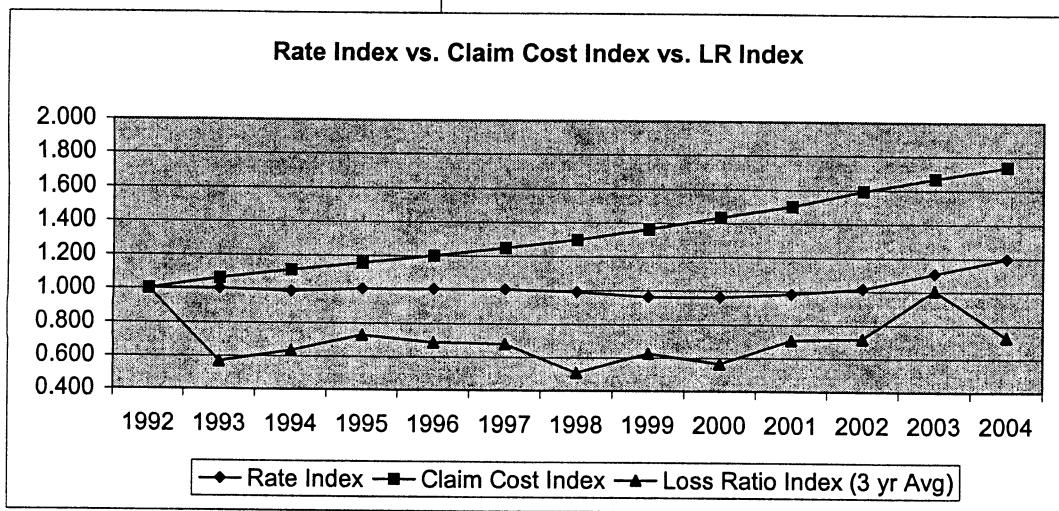
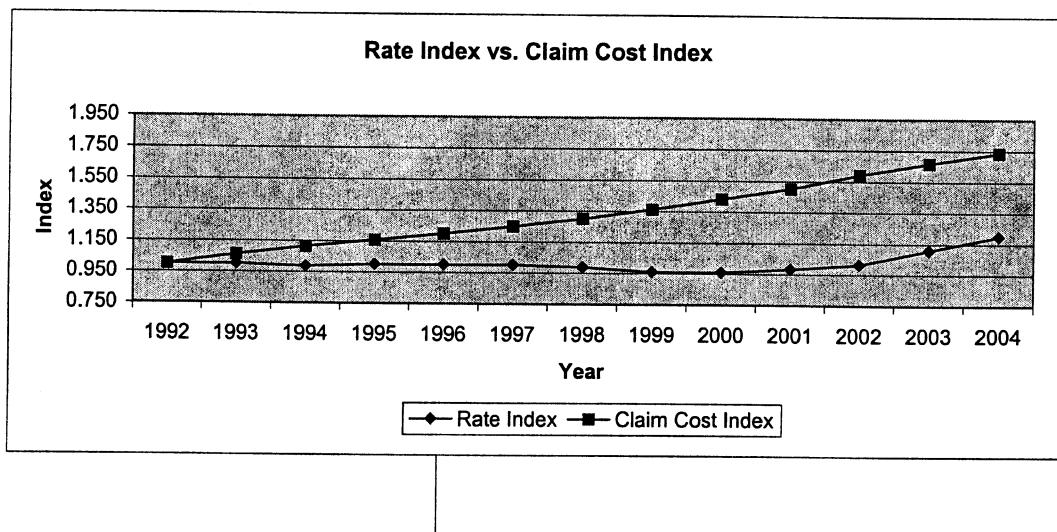
Year	Statewide Loss Ratio	Regional Loss Ratio	Countrywide Loss Ratio
1991	21%	38%	65%
1992	40%	43%	61%
1993	34%	48%	70%
1994	34%	54%	70%
1995	56%	53%	74%
1996	24%	49%	64%
1997	32%	48%	60%
1998	30%	57%	68%
1999	45%	59%	68%
2000	21%	53%	72%
2001	53%	89%	77%
2002	45%	68%	90%
2003	71%	154%	73%
2004	13%	61%	69%



# OTHER LIABILITY

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

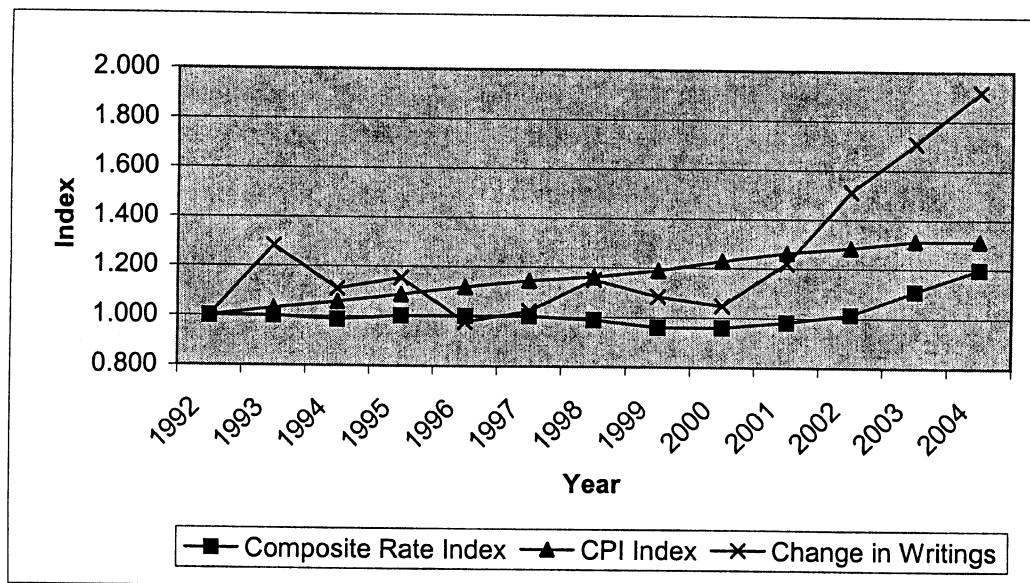
Year	Composite Rate Index	Relevant Claim Cost Index	Statewide 3 Yr LR Indexed to 1992
1992	1.000	1.000	1.000
1993	1.000	1.061	0.567
1994	0.986	1.112	0.634
1995	1.001	1.155	0.729
1996	1.001	1.200	0.686
1997	1.001	1.248	0.678
1998	0.988	1.298	0.508
1999	0.960	1.361	0.624
2000	0.960	1.431	0.564
2001	0.981	1.500	0.707
2002	1.014	1.592	0.716
2003	1.107	1.666	1.004
2004	1.197	1.735	0.728



# OTHER LIABILITY

## EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide			Composite Rate Index	Consumer Price Index
	Written Premium (000s)	Change in Writings	Indexed to 1992		
1991	\$ 32,337				
1992	\$ 37,644	16.4%	1.00	1.000	1.000
1993	\$ 48,219	28.1%	1.28	1.000	1.030
1994	\$ 41,746	-13.4%	1.11	0.986	1.056
1995	\$ 43,420	4.0%	1.15	1.001	1.086
1996	\$ 36,748	-15.4%	0.98	1.001	1.118
1997	\$ 38,505	4.8%	1.02	1.001	1.144
1998	\$ 43,263	12.4%	1.15	0.988	1.162
1999	\$ 40,734	-5.8%	1.08	0.960	1.187
2000	\$ 39,430	-3.2%	1.05	0.960	1.227
2001	\$ 45,898	16.4%	1.22	0.981	1.262
2002	\$ 56,801	23.8%	1.51	1.014	1.282
2003	\$ 64,237	13.1%	1.71	1.107	1.311
2004	\$ 72,105	12.2%	1.92	1.197	1.311



## OTHER LIABILITY

### EXHIBIT VI: FIELD MARKET SURVEY

	<u>Fewer</u>	17	15.2%	<u>Same</u>	86	76.8%	<u>More</u>	9	8.0%	<u>Total Respon:</u>	112
<b>Available Markets</b>											
<b>Rate Changes</b>	<u>Increased</u>	63	56.8%	<u>Same</u>	43	38.7%	<u>Decreased</u>	5	4.5%	<u>Total Respon:</u>	111
<b>UW Changes</b>	<u>More Strict</u>	50	45.0%	<u>Same</u>	60	54.1%	<u>Less Strict</u>	1	0.9%	<u>Total Respon:</u>	111
<b>Finding Coverage</b>	<u>Always</u>	21	19.3%	<u>Occasionally</u>	81	74.3%	<u>Frequently Unable</u>	7	6.4%	<u>Total Respon:</u>	109

## **OTHER LIABILITY**

### **EXHIBIT VII – RESIDUAL MARKET POPULATION**

**North Dakota does not have a residual market mechanism for Other Liability lines.**

## OTHER LIABILITY

### EXHIBIT VIII - MATRIX OF INDICATORS

Factor	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )			XX
Market Share Analysis –Market Share Changes			XX
Market Share Analysis –Company Changes			XX
Market Share Analysis – Surplus (non-licensed)			XX
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes	NC	NC	NC
Change in Premium Writings	NA	NA	NA
Field Market Survey Results-October 2004	XX		
Residual Market Population			XX
Final ranking based upon all factors:	Moderate		
NC = No Conclusion			

The market analysis components found in the attached exhibits for Crop - Hail are summarized below:

**Exhibit I -Market Concentration (Herfindahl index )**

According to U.S. Dept of Justice guidelines, North Dakota Herfindahl indices suggest that the marketplace is moderately concentrated, and thus not competitive. We noted that in the past 10 years, 20 companies or less have written all of the crop hail business in North Dakota.

The country wide Herfindahl indices suggest the country wide marketplace is also concentrated, though not to the degree it is in North Dakota. The difference can be attributed to the fact that North Dakota is a relatively small market that is more easily dominated by a few larger companies.

**Exhibit II-A - Market Share Analysis –Market Share Changes**

The ranking of the top 4 writers has varied considerably from year to year, as has their combined marketshare. The ranking of the remaining insurers has also varied, which would suggest that the marketplace is competitive. We temper this conclusion to a “moderate” ranking due to the fact that in each of the summarized years, the top 20 companies have written 100% of the business, and the fact that there have been less than 20 companies writing crop hail business in North Dakota for the past two years.

**Exhibit II-B – Market Share Analysis –Company Changes**

The number of companies entering and leaving the top 20 is low, which suggests a lesser degree of competition. However there is considerable movement among all companies within the top 20, implying greater competition. Highly competitive markets are associated with a high degree of movement and a low concentration of market share.

This conflicting information does not give a clear indication of the competitive level of the market.

**Exhibit II-C – Market Share Analysis – Surplus (non-licensed)**

Currently we are unable to capture enough detail to determine how much, if any crop hail business is written in the Surplus lines market. Anecdotally, the department is unaware of a surplus lines market for this business.

### Exhibit III – Historical Loss Ratios (Statewide, Regional, and Countrywide)

In the past 12 years, crop hail loss ratios have fluctuated considerably on a statewide, regional and countrywide basis. This information by itself does not offer an indication as to the competitive level of the marketplace.

### Exhibit IV – Loss Ratios vs Rate Change vs Claims Cost Indexes

The graphs show that rates have increased as a faster pace than the claim cost index (which is based upon revenue per acre statistics from the National Agriculture Statistics Service). However they have not kept pace with North Dakota loss experience. This would suggest that the marketplace is moderately competitive.

### Exhibit V – Change in Premium Writings

The statewide premium volume has fluctuated substantially from year to year. One explanation for this fluctuation is that farmers countrywide seem to be insuring less of their crop with traditional crop hail insurance, opting instead for the Federally subsidized MPCI programs. Another explanation however is the fact that with the adverse loss experience of the past several years, companies have been less willing to write crop hail insurance. This is evidenced by fewer companies writing the business, and limitations on the amount of writing for those companies that still do. Both of these observations would help to explain the difference in the premium growth index vs. the composite rate index.

This information suggests that the level of competition in this market is low.

### Exhibit VI – Field Market Survey Results-October 2004

The results of this survey represent a snapshot of the market as of October 2004. These responses suggest that while the level of availability of coverage is comparable to last year, underwriting guidelines appear to be tightening, and a majority of risks are seeing rate increases. This information indicates that the trend in the market is towards less competition.

### Exhibit VII – Residual Market Population

There is no residual market mechanism for Crop-Hail insurance in North Dakota. The absence of a residual market mechanism would suggest that the competitive level is high.

### Exhibit VIII – Matrix of Indicators

The Herfindahl index, change in premium writings exhibit and the field survey suggest a low competitive level in the marketplace. The market share analysis of changes in market share, market share analysis-company changes and loss ratio to rate change comparison indicate a moderately competitive market. The lack of a residual market mechanism suggests a highly competitive market.

### Final assessment

In determining what the overall market trend and competitive level are, more weight is given to the Herfindahl index, and the department observations as to the number of competitors in the marketplace, and their willingness to write the crop hail business. The fact that the North Dakota marketplace is seeing fewer competitors each year also weighs into our decision to assign a competitive level ranking of “low”.

# CRUP HAIL

## EXHIBIT I: MARKET CONCENTRATION

Year	North Dakota			Countrywide		
	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index	4-Firm Concentration Ratio	20-Firm Concentration Ratio	Herfindahl Index
1993	55.2%	99.0%	1074	28.1%	71.2%	740
1994	58.9%	99.9%	1178			
1995	58.7%	100.0%	1203			
1996	60.7%	100.0%	1212			
1997	58.3%	100.0%	1204			
1998	50.3%	100.0%	1053			
1999	46.8%	100.0%	1033			
2000	54.5%	100.0%	1135			
2001	53.4%	100.0%	1181			
2002	44.3%	100.0%	1003			
2003	59.6%	100.0%	1684			
2004	68.5%	100.0%	1676			

Benchmarks:

National industries with 4-firm concentration ratios <75% and Herfindahl index <2000, are generally not viewed as highly concentrated.

Merger guidelines of U.S. Dept of Justice  
 Post-merger market Herfindahl index  
 > 1,800 - highly concentrated  
 1,000 < Herfindahl index < 1,800 - moderately concentrated  
 < 1,000 - unconcentrated

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## **EXHIBIT II A: NORTH DAKOTA MARKET SHARE REPORT**

Market Share Analysis - Direct WP (In '000s)											
Year: 2002					Year: 2003						
Company	Market Share	Cumulative	Direct WP	Market Share	Company	Market Share	Cumulative	Direct WP	Market Share		
Farmers Mutual Hail Ins Co of IA	\$ 13,256	23.8%	\$ 15,218	24.5%	NAU Country Insurance Co.	\$ 7,880	14.9%	\$ 7,880	14.9% <b>Share: cumulative</b>		
Farmers' Fund Insurance Company	\$ 10,585	19.0%	\$ 7,973	12.8%	American Growers Insurance Co.	\$ 5,830	11.0%				
Great American Insurance Co.	\$ 7,712	13.9%	\$ 7,395	11.9%	Farmers Mutual Hail Ins Co of IA	\$ 5,081	9.6%				
Nodak Mutual Insurance Co.	\$ 6,562	11.8%	\$ 6,395	10.3%	Great American Insurance Co.	\$ 4,697	8.8%				
Farmers Alliance Mutual Insurance Co.	\$ 5,958	10.7%	\$ 6,104	9.8%	Empire Fire & Marine Insurance Co.	\$ 4,592	8.7%				
ACE Property & Casualty Insurance Company	\$ 3,865	6.9%	\$ 5,674	9.1%	Nodak Mutual Insurance Co.	\$ 4,541	8.6%				
National Farmers Union P&C	\$ 3,735	6.7%	\$ 4,260	6.9%	Greenwich Insurance Company	\$ 4,166	7.8%				
NAU Country Insurance Co	\$ 1,559	2.8%	\$ 4,147	6.7%	National Farmers Union P&C	\$ 4,012	7.5%				
Agri General Insurance Co.	\$ 1,389	2.5%	\$ 1,683	2.7%	Alliance Insurance Co.	\$ 2,613	4.9%				
State Farm Fire & Casualty Co.	\$ 497	0.9%	\$ 1,424	2.3%	Farmers Alliance Mutual Insurance Co.	\$ 2,314	4.4%				
American Agri-Business Insurance Company	\$ 272	0.5%	\$ 1,099	1.8%	Fleming's Fund Ins. Co.	\$ 2,303	4.3%				
Producers Agriculture Insurance Co.	\$ 154	0.3%	\$ 504	0.8%	ACE Property & Casualty Insurance Company	\$ 1,915	3.6%				
Greenwich Insurance Company	\$ 66	0.1%	\$ 162	0.3%	Hartford Insurance Company of the Midwest	\$ 1,701	3.2%				
American West Insurance Co.					Agri General Insurance Co	\$ 1,855	1.6%				
State Farm Fire & Casualty Co.					State Farm Fire and Casualty Co.	\$ 516	1.0%				
State Farm Fire & Casualty Co.					State Farm Fire & Casualty Co.	\$ 22	0.0%				
Market Share Analysis - Direct WP (In '000s)											
Year: 2004					Year: 2005						
Company	Market Share	Cumulative	Direct WP	Market Share	Company	Market Share	Cumulative	Direct WP	Market Share		
Farmers Mutual Hail Ins Co of IA	\$ 13,256	23.8%	Farmers Mutual Hail Ins Co of IA	\$ 15,218	24.5%	NAU Country Insurance Co.	\$ 7,880	14.9%	NAU Country Insurance Co.	\$ 7,880	14.9% <b>Share: cumulative</b>
Great American Insurance Co.	\$ 10,585	19.0%	Great American Insurance Co.	\$ 7,973	12.8%	Farmers Mutual Hail Ins Co of IA	\$ 5,830	11.0%	American Growers Insurance Co.	\$ 5,830	14.9%
Nodak Mutual Insurance Co.	\$ 6,562	11.8%	Empire Fire & Marine Insurance Co.	\$ 7,395	11.9%	Great American Insurance Co.	\$ 5,081	9.6%	Farmers Mutual Hail Ins Co of IA	\$ 5,081	11.0%
Farmers Alliance Mutual Insurance Co.	\$ 5,958	10.7%	Farmers Alliance Mutual Insurance Co.	\$ 6,395	10.3%	Great American Insurance Co.	\$ 4,697	8.8%	Great American Insurance Co.	\$ 4,697	9.6%
ACE Property & Casualty Insurance Company	\$ 3,865	6.9%	Nodak Mutual Insurance Co.	\$ 6,104	9.8%	Empire Fire & Marine Insurance Co.	\$ 4,592	8.7%	Empire Fire & Marine Insurance Co.	\$ 4,592	9.4%
National Farmers Union P&C	\$ 3,735	6.7%	ACE Property & Casualty Insurance Company	\$ 5,674	9.1%	Nodak Mutual Insurance Co.	\$ 4,541	8.6%	Nodak Mutual Insurance Co.	\$ 4,541	9.1%
NAU Country Insurance Co	\$ 1,559	2.8%	National Farmers Union P&C	\$ 4,260	6.9%	Greenwich Insurance Company	\$ 4,166	7.8%	Greenwich Insurance Company	\$ 4,166	7.8%
Agri General Insurance Co.	\$ 1,389	2.5%	Alliance Insurance Co.	\$ 1,683	2.7%	National Farmers Union P&C	\$ 4,012	7.5%	Fleming's Fund Ins. Co.	\$ 4,012	7.5%
State Farm Fire & Casualty Co.	\$ 497	0.9%	Agri General Insurance Co.	\$ 1,424	2.3%	Alliance Insurance Co.	\$ 2,613	4.9%	Farmers Alliance Mutual Insurance Co.	\$ 2,613	4.9%
American Agri-Business Insurance Company	\$ 272	0.5%	Fleming's Fund Ins. Co.	\$ 1,099	1.8%	Fleming's Fund Ins. Co.	\$ 2,314	4.4%	Great American Insurance Co.	\$ 5,287	11.9%
Producers Agriculture Insurance Co.	\$ 154	0.3%	State Farm Fire & Casualty Co.	\$ 504	0.8%	Empire Fire & Marine Insurance Co.	\$ 4,828	10.9%	Empire Fire & Marine Insurance Co.	\$ 4,828	10.9%
Greenwich Insurance Company	\$ 66	0.1%	GuideOne Specialty Mutual Insurance Company	\$ 162	0.3%	Nodak Mutual Insurance Co.	\$ 4,732	10.7%	Nodak Mutual Insurance Co.	\$ 4,732	10.7%
American West Insurance Co.					Greenwich Insurance Company	\$ 4,578	8.6%				
State Farm Fire & Casualty Co.					Farmers Mutual Hail Ins Co of IA	\$ 3,872	7.3%				
State Farm Fire & Casualty Co.					IGF Insurance Co.	\$ 3,766	7.1%				
Market Share Analysis - Direct WP (In '000s)											
Year: 2001					Year: 2000						
Company	Market Share	Cumulative	Direct WP	Market Share	Company	Market Share	Cumulative	Direct WP	Market Share		
NAU Country Insurance Co	\$ 13,891	25.1%	\$ 12,141	22.8%	Mountain States Insurance Co.	\$ 12,631	22.8%	Mountain States Insurance Co.	\$ 5,947	13.4%	
Empire Fire & Marine Insurance Co.	\$ 5,638	10.2%	\$ 6,311	11.8%	Firemen's Fund Ins. Co.	\$ 6,311	34.6%	Firemen's Fund Ins. Co.	\$ 5,287	11.9%	
American Growers Insurance Co.	\$ 5,271	9.5%	\$ 5,700	10.7%	Empire Fire & Marine Insurance Co.	\$ 5,700	45.3%	Great American Insurance Co.	\$ 4,828	10.9%	
Nodak Mutual Insurance Co.	\$ 4,765	8.6%	\$ 4,881	9.2%	Nodak Mutual Insurance Co.	\$ 4,881	54.5%	Empire Fire & Marine Insurance Co.	\$ 4,828	10.9%	
Great American Insurance Co.	\$ 3,914	7.1%	\$ 4,578	8.6%	Great American Insurance Co.	\$ 4,578	63.1%	Nodak Mutual Insurance Co.	\$ 4,732	10.7%	
Farmers Mutual Hail Ins Co of IA	\$ 3,895	7.0%	\$ 67,595	7.3%	National Farmers Union P&C	\$ 3,872	70.4%	Farmers Mutual Hail Ins Co of IA	\$ 4,732	10.7%	
National Farmers Union P&C	\$ 3,646	6.6%	\$ 74,151	7.1%	Farmers Mutual Hail Ins Co of IA	\$ 3,766	77.7%	IGF Insurance Co.	\$ 3,698	8.3%	
Firemen's Fund Ins. Co.	\$ 3,624	6.5%	\$ 80,600	8.2%	American Growers Insurance Co.	\$ 2,633	82.1%	American Growers Insurance Co.	\$ 3,094	7.0%	
Greenwich Insurance Company	\$ 3,344	6.0%	\$ 86,776	8.7%	IGF Insurance Co.	\$ 1,988	86.1%	National Farmers Union P&C	\$ 3,018	6.8%	
Farmers Alliance Mutual Insurance Co.	\$ 2,181	3.9%	\$ 90,606	9.3%	Western National Mutual Insurance Co.	\$ 1,891	89.7%	NAU Country Insurance Co.	\$ 2,947	6.6%	
IGF Insurance Co.	\$ 1,879	3.4%	\$ 94,096	9.8%	Alliance Insurance Co.	\$ 1,495	92.5%	Alliance Insurance Co.	\$ 1,672	3.8%	
Alliance Insurance Co.	\$ 1,487	2.7%	\$ 96,776	9.8%	Farmers Alliance Mutual Insurance Co.	\$ 1,274	94.9%	Hartford Insurance Company of the Midwest	\$ 1,209	2.7%	
Continental Casualty Co.	\$ 580	1.0%	\$ 97,886	9.8%	Continental Casualty Co.	\$ 894	1.7%	Continental Casualty Co.	\$ 1,038	2.3%	
Hartford Insurance Company of the Midwest	\$ 580	1.0%	\$ 98,597	9.9%	Farmers Alliance Mutual Insurance Co.	\$ 897	1.7%	Farmers Alliance Mutual Insurance Co.	\$ 987	2.2%	
State Farm Fire & Casualty Co.	\$ 423	0.8%	\$ 99,226	9.9%	State Farm Fire & Casualty Co.	\$ 754	1.4%	State Farm Fire & Casualty Co.	\$ 631	1.4%	
Western National Mutual Insurance Co.	\$ 382	0.7%	\$ 99,515	9.9%	Mutual Service Casualty Insurance Co.	\$ 486	0.9%	Mutual Service Casualty Insurance Co.	\$ 405	0.9%	
Continental Casualty Co.	\$ 180	0.3%	\$ 99,515	9.9%	ACE Property & Casualty Insurance Company	\$ 277	0.5%	ACE Property & Casualty Insurance Company	\$ 334	0.8%	
Agri General Insurance Co.	\$ 124	0.2%	\$ 99,886	9.9%	Agri General Insurance Co.	\$ 117	0.2%	Agri General Insurance Co.	\$ 116	0.3%	
ACE Property & Casualty Insurance Company	\$ 106	0.2%	\$ 100,000	100.0%	Agri General Insurance Co.	\$ 82	0.2%	Agri General Insurance Co.	\$ 76	0.2%	
Mutual Service Casualty Insurance Co.	\$ 24	0.0%	\$ 100,000	100.0%	A.A.B.I.C.	\$ 24	0.0%	Western National Mutual Insurance Co.	\$ 76	0.2%	
Twin City Fire Insurance Co.	\$ 2	0.0%	\$ 100,000	100.0%	Twin City Fire Insurance Co.	\$ 2	0.0%	Mutual Service Casualty Insurance Co.	\$ 3	0.0%	

## CROP HAIL

### EXHIBIT IIB: NORTH DAKOTA MARKET SHARE REPORT ENTRIES/EXITS IN TOP 20 WRITERS

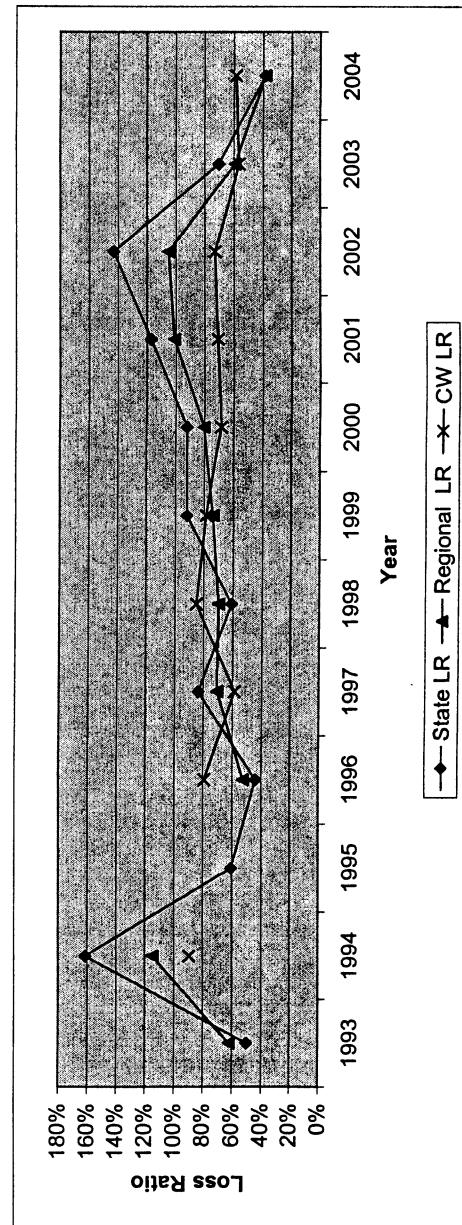
Year into Top 20 Carriers	# of New Entries/Exits	Changes within Top 20 Carriers
1994	5	11
1995	3	9
1996	1	12
1997	4	14
1998	3	14
1999	3	16
2000	1	13
2001	2	15
2002	0	11
2003	2	10
2004	2	9

**EXHIBIT II-C: NORTH DAKOTA CROP HAIL MARKET SHARE- SURPLUS (non-licensed)**

This information is not available for this line.

## EXHIBIT III: HISTORICAL LOSS RATIOS

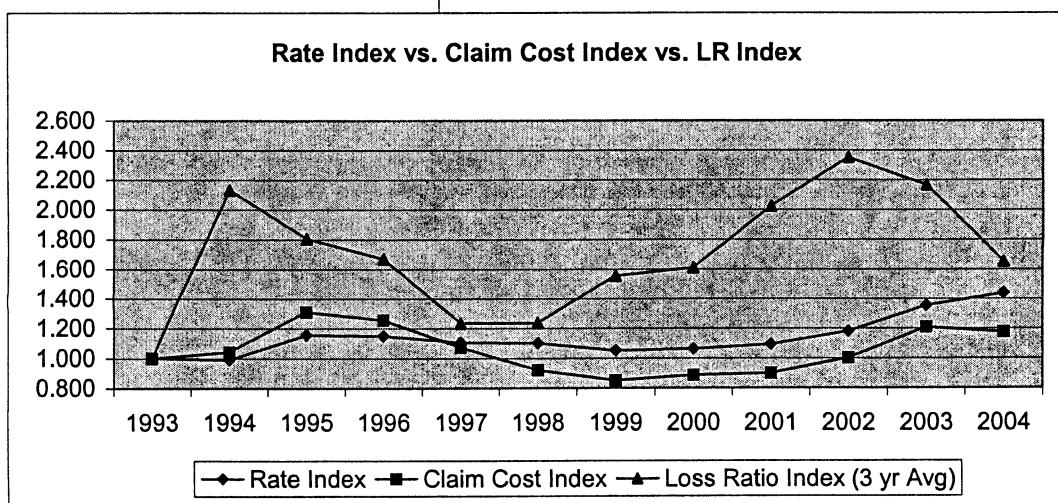
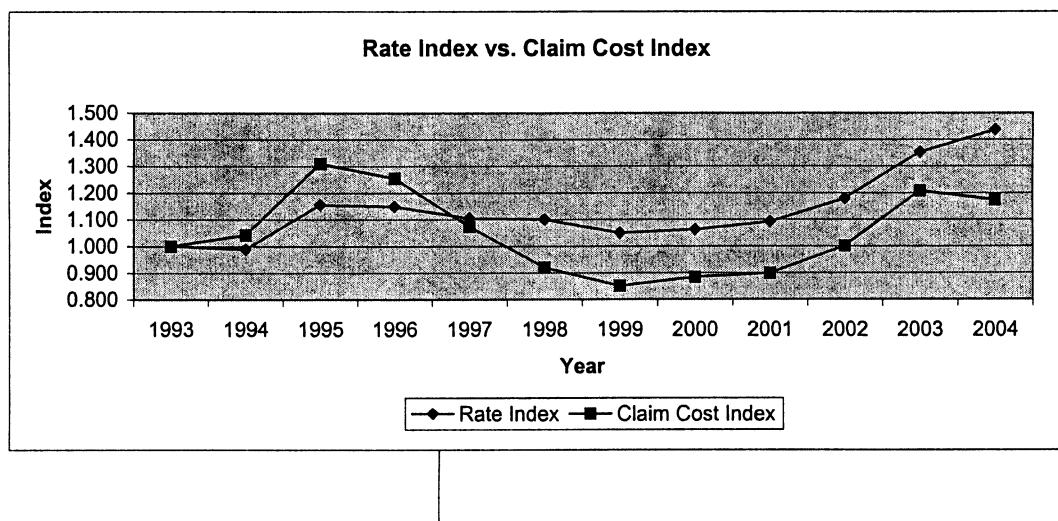
Year	Statewide Loss Ratio	Regional Loss Ratio	Countrywide Loss Ratio
1993	50%	62%	89%
1994	161%	115%	
1995	60%		
1996	44%	53%	79%
1997	83%	71%	58%
1998	61%	70%	85%
1999	92%	74%	79%
2000	92%	80%	68%
2001	117%	101%	71%
2002	143%	105%	73%
2003	70%	59%	56%
2004	38%	38%	58%



# CROP HAIL

## EXHIBIT IV: LOSS RATIO VS. RATE CHANGES VS. COST INDICES

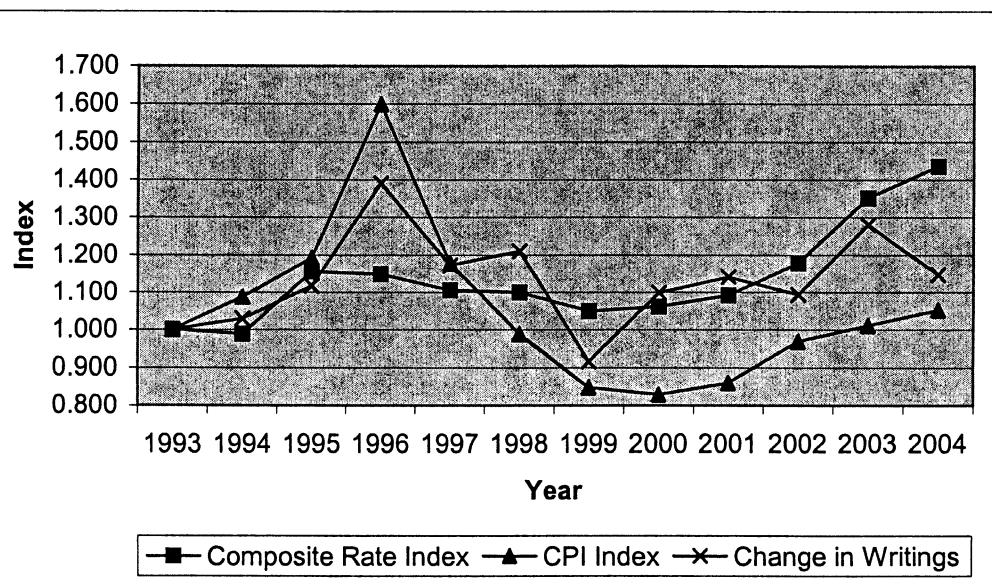
Year	Composite Rate Index	Relevant Claim Cost Index	Statewide 3 Yr LR Indexed to 1993
1993	1.000	1.000	1.000
1994	0.988	1.042	2.131
1995	1.155	1.308	1.804
1996	1.148	1.253	1.667
1997	1.105	1.072	1.232
1998	1.099	0.919	1.234
1999	1.049	0.850	1.552
2000	1.061	0.884	1.607
2001	1.091	0.897	2.022
2002	1.177	1.001	2.351
2003	1.351	1.207	2.165
2004	1.435	1.173	1.652



# CROP HAIL

## EXHIBIT V: CHANGE IN PREMIUM WRITINGS

Year	Statewide			Composit Rate Index	Producer Price Index
	Written Premium (000s)	Change in Writings	Indexed 1993		
1993	\$ 48,517		1.000	1.000	1.000
1994	\$ 49,925	2.9%	1.029	0.988	1.087
1995	\$ 54,148	8.5%	1.116	1.155	1.192
1996	\$ 67,424	24.5%	1.390	1.148	1.599
1997	\$ 56,843	-15.7%	1.172	1.105	1.177
1998	\$ 58,673	3.2%	1.209	1.099	0.988
1999	\$ 44,405	-24.3%	0.915	1.049	0.848
2000	\$ 53,273	20.0%	1.098	1.061	0.829
2001	\$ 55,342	3.9%	1.141	1.091	0.859
2002	\$ 53,038	-4.2%	1.093	1.177	0.968
2003	\$ 62,086	17.1%	1.280	1.351	1.011
2004	\$ 55,621	-10.4%	1.146	1.435	1.052



# CRUP HAIL

## EXHIBIT VI: FIELD MARKET SURVEY

	<u>Fewer</u>	<u>32.4%</u>	<u>Same</u>	<u>57.7%</u>	<u>More</u>	<u>7</u>	<u>9.9%</u>	<u>Total Responses</u>	<u>71</u>
<b>Available Markets</b>	<u>23</u>								
<b>Rate Changes</b>	<u>Increased</u>	<u>43</u>	<u>71.7%</u>	<u>Same</u>	<u>17</u>	<u>28.3%</u>	<u>Decreased</u>	<u>0</u>	<u>0.0%</u>
<b>UW Changes</b>	<u>More Strict</u>	<u>23</u>	<u>37.7%</u>	<u>Same</u>	<u>36</u>	<u>59.0%</u>	<u>Less Strict</u>	<u>2</u>	<u>3.3%</u>
<b>Finding Coverage</b>	<u>Always</u>	<u>32</u>	<u>53.3%</u>	<u>Occasionally</u>	<u>25</u>	<u>41.7%</u>	<u>Never</u>	<u>3</u>	<u>5.0%</u>
								<u>Total Responses</u>	<u>60</u>

## CROP HAIL

### **EXHIBIT VII – RESIDUAL MARKET POPULATION**

**North Dakota does not have a residual market mechanism for Crop Hail.**

## CROP - HAIL

### EXHIBIT VIII - MATRIX OF INDICATORS

Factor	Competitive Level		
	Low	Moderate	High
Market Concentration (Herfindahl index )	XX		
Market Share Analysis –Market Share Changes		XX	
Market Share Analysis –Company Changes		XX	
Market Share Analysis – Surplus (non-licensed)	NA	NA	NA
Historical Loss Ratios (Statewide, Regional, and Countrywide)	NA	NA	NA
Loss Ratios vs Rate Change vs Claims Cost Indexes		XX	
Change in Premium Writings	XX		
Field Market Survey Results-October 2004	XX		
Residual Market Population			XX

Final ranking based upon all factors: Low

## **ADDENDUM 9 - TECHNICAL NOTES**

Automobile Insurance Plan Services Office (AIPSO) – This organization manages the “assigned risk” auto insurance plan for the state. This is known as a residual market for mandatory auto insurance. If consumers are unable to find insurance coverage through normal channels as a last resort they can purchase coverage through this plan.

Claim Cost Index (CCI) – A measure of change of contributing claim cost factors (such as parts, cost of repairs, medical care, physician and attorney’s fees, construction costs, loss of income etc.). The information is found in the NAII Greenbook 2004. For the Crop Hail line, the Claim Cost Index was built based upon data found on the U.S. Department of Labor, Bureau of Labor Statistics website.

Composite Rate Index – A measure of the aggregate rate change for a given market. The compilation is based upon the rate change history of the top 10 writers by year.

Consumer Price Index (CPI) – A measure of the change in prices paid by consumers for a representative basket of goods and services. The information is found in the NAII Greenbook 2004, with the exception of the Crop Hail line. For Crop Hail, a Producer Price Index was obtained from the U.S. Department of Labor, Bureau of Labor Statistics website. Note: for the Auto insurance lines the CPI information relates to actual Motor Vehicle Insurance costs. In these cases the CPI should be compared to, rather than combined with the rate change indices.

Department of Transportation (DOT) – The state agency in charge of motor vehicle licensing and registration. The information on the number of registered motor vehicles was obtained from this source.

Field Survey October 2004 – The department conducted an informal survey of the attendees of the annual agent forums held at seven locations across the state. The results were compiled and included in this analysis.

Herfindahl Index – A measure of the market’s concentration level. The index is equal to the sum of the squares of each company’s percentage of market share. All companies are included in each market analysis. New for 2004, the index was computed at the company group level. Note: Due to different data reporting requirements for county mutuals, their data was not able to be included in this analysis.

National Association of Insurance Commissioners (NAIC) database – Insurance companies are required to report their annual statistics to the NAIC. The premium and loss information from the database of all companies is used to calculate market share and loss ratio statistics. The NAIC does not audit the information provided to them. The department also accepts the data without performing an audit.

National Association of Insurance Commissioners (NAIC) State Average Expenditures of Premiums for Personal Auto Insurance- The NAIC conducts an analysis annually of the cost of automobile insurance in all fifty states and the District of Columbia. The most recent report released in 2005 evaluates the market through 2003. The report shows both the average premium cost and the ranking of each state.

National Association of Independent Insurers (NAII) Greenbook – The NAII publishes an annual compilation of property and casualty insurance statistics. The most current report available for this analysis was 2004.

Rate change data – The rate analysis performed for each of the markets was based upon actual rate filing information. The results of this analysis for single product lines such as automobile, or homeowner are a relatively accurate representation of the historical changes. It must be noted, however, that for markets with diverse product lines such as commercial multi-peril package, medical malpractice and other liability the results are less representative of specific products within the market. In addition, commercial lines rating programs generally include methodologies for adjusting rates to match the risk such as experience rating and schedule rating (individual risk premium modification) plans. Since the companies have a built in flexibility to adjust premium the department's information on rate changes based on filings alone may not accurately reflect what may be happening in the market.

Statewide 3 year Loss Ratio - The total incurred losses for the past three years divided by the corresponding total earned premiums.